

Nation's Business

Circulation now more than 1,130,000 and growing 100,000 a year.



**Carte's
First Year
—How
He's Doing**

Mercedes-Benz announces a new Coupe



The 2.8-liter gasoline-powered 280CE.

plus an extraordinary new Coupe



The 3-liter Diesel-powered 300CD.

The new Coupe

is the 280CE and it is powered by a fuel-injected, 2.8-liter Six.

The extraordinary new Coupe

is the 300CD, and it merits the term by introducing Diesel power to a class of Mercedes-Benz from which Diesels were previously excluded.

Thus the Mercedes-Benz Diesel has fully come of age. It stands today at such a peak of refinement that a limited-production Diesel sports Coupe is not sacrilege but logic. Meanwhile, savor your new luxury of choice.

No boulevard sports car

Gasoline- or Diesel-powered, this new Coupe is no faddish "personal" car but a lithe five-passenger machine you will prize as much for its quick reflexes as for its elegant lines.

You sit cradled within a wheelbase of only 106.7 inches, less than a foot longer than the close-coupled 450SL Roadster. You should find yourself negotiating even tight mountain curves with a sense of ample road to spare, slipping through city traffic like a fish. Chances are, within a few days you will stop having to envy sports-car drivers forever.

But family men can rest assured. There is not only a full rear seat but a rear seat that nearly equals the 280E Sedan for headroom. And there is not only a full trunk but a trunk with the same 12.6 cubic feet of space as the 280E.

Some people don't understand how Mercedes-Benz builds such space-efficient cars. Mercedes-Benz doesn't understand how to build anything else.

Worth its weight in strength

The new Coupe's taut profile is aerodynamically "clean." Put under an X ray, it would be revealed as the skin over a steel cage welded at 4900 points to a steel platform, forming a monocoque structure.

The engineers braced that sheet-steel floor with cross members to help stiffen the midsection. And

although the side windows are pillarless, the concealed "B" pillar provides additional structural integrity.

Straight-line braking stability

Engineers and not stylists are the heroes behind the Coupe. If this 1½-ton, five-passenger machine seems to corner flatter and grip the road more tenaciously than you're accustomed to, credit them.

They in turn would credit technological nuggets like fully independent suspension, and *zero offset* steering with straight-line stability, *even* in panic stops.

Panic stops are further softened by 4-wheel disc brakes. Mercedes-Benz would never build a Coupe or any other car without them.

But *handling brilliance* is only half the tale. The other half is the ride: Over-the-road decorum worthy of an expensive motor car. *A clue:* The shock absorbers' lower chambers are pumped full of *nitrogen* gas as an extra cushion against vibration.

Power assists a purist can love

No brute force is needed to pilot your Coupe about. Power steering, power brakes, and a 4-speed automatic transmission slightly smoother than the human hand are standard features. Wives will approve. And so will driving purists—because these laborsaving devices have been designed to preserve driving "feel" at all costs.

Not a superficial ounce of chrome

Doors over four feet wide swing open to reveal a meticulously ordered cockpit. Electric windows, bi-level climate control and AM/FM stereo radio are all built in, but the mood is less

opulent than crisply businesslike.

For instance, the interior has no dazzling chrome knickknacks to confuse the driver's field of vision. Glare-free gauges are placed so you can check them without breaking visual contact with the road.

The anatomically contoured twin front seats are thickly padded, their springs tuned to the car's suspension. The backrests lock in place *pneumatically*.

And the walnut-root veneer that trims the instrument panel and covers the console is *real* walnut-root veneer.

A delicious dilemma

Which engine version belongs in your Coupe?

Classists will feel most at home with the 280CE and the familiar traits of its gasoline power plant—supple and responsive in the sporting Coupe manner. And hardly a mundane choice: The 280CE marks the zenith of Mercedes-Benz six-cylinder engine development.

The 300CD allows Coupe devotees to combine their love for elegance with common-sense motoring, and Diesel devotees to combine their love for common-sense motoring with elegance. The power of its 5-cylinder engine is one surprise, the lack of noise and roughness is another. That it offers the established advantages of a Diesel should be no surprise.

But there is ultimately only one way to decide which Coupe best suits your needs. See your Mercedes-Benz dealer and experience them both.



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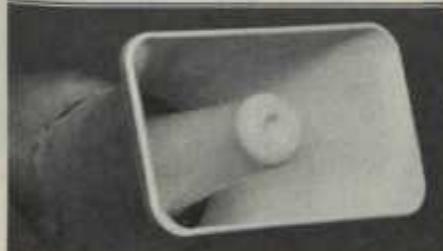
Burglar Alarm Breakthrough

A new computerized burglar alarm requires no installation and protects your home or business like a thousand dollar professional system.

It's a security system computer. You can now protect everything—windows, doors, walls, ceilings and floors with a near fail-safe system so advanced that it doesn't require installation.

The Midex 55 is a new motion-sensing computer. Switch it on and you place a harmless invisible energy beam through more than 5,000 cubic feet in your home. Whenever this beam detects motion it sends a signal to the computer which interprets the cause of the motion and triggers an extremely loud alarm.

The system's alarm is so loud that it can cause pain—loud enough to drive an intruder out of your home before anything is stolen or destroyed and loud enough to alert neighbors to call the police.



The powerful optional blast horns can also be placed outside your home or office to warn your neighbors.

Unlike the complex and expensive commercial alarms that require sensors wired into every door or window, the Midex requires no sensors nor any other additional equipment other than your stereo speakers or an optional pair of blast horns. Its beam actually penetrates walls to set up an electronic barrier against intrusion.

NO MORE FALSE ALARMS

The Midex is not triggered by noise or sound, temperature or humidity—just motion, and since a computer interprets the nature of the motion, the chances of a false alarm are very remote.

An experienced burglar can disarm an expensive security system or break into a home or office through a wall. Using a Midex system there is no way a burglar can penetrate the protection beam without triggering the loud alarm. Even if the burglar cuts off your power, the four-hour rechargeable battery pack will keep your unit triggered, ready to sense motion and sound an alarm.

DEFENSE AGAINST PEEPING TOMS

By pointing your unit towards the outdoors from your bedroom and installing an outside speaker, light, or alarm, your unit can sense a peeping tom, and frighten him off. Pets are no problem for the Midex. Simply put them in one section of the house and concentrate the beam in another.

When the Midex senses an intruder, it remains silent for 20 seconds. It then sounds the alarm until the burglar leaves. One minute after the burglar leaves, the alarm shuts off and resets, once again ready to do its job. This

shut-off feature, not found on many expensive systems, means that your alarm won't go wailing all night long while you're away. When your neighbors hear it, they'll know positively that there's trouble.

PROFESSIONAL SYSTEM

Midex is portable so it can be placed anywhere in your home. You simply connect it to your stereo speakers or attach the two optional blast horns.

Operating the Midex is as easy as its installation. To arm the unit, you remove a specially coded key. You now have 30 seconds to leave your premises. When you return, you enter and insert your key to disarm the unit. You have 20 seconds to do that. Each key is registered with Midex and that number is kept in their vault should you ever need a duplicate. Three keys are supplied with each unit.

As an extra security measure, you can leave your unit on at night and place an optional panic button by your bed. But with all its optional features, the Midex system is complete, designed to protect you, your home and property just as it arrives in its well-protected carton.

The Midex 55 system is the latest electronic breakthrough by Solfan Systems, Inc.—a company that specializes in sophisticated professional security systems for banks and high security areas. JS&A first became acquainted with Midex after we were burglarized. At the time we owned an excellent security system but the burglars went through a wall that could not have been protected by sensors. We then installed over \$5,000 worth of the Midex commercial equipment in our warehouse. When Solfan Systems announced their intentions to market their units to consumers, we immediately offered our services.

COMPARED AGAINST OTHERS

In a recent issue of the leading consumer publication there was a complete article written on the tests given security devices which were purchased in New York. The Midex 55 is not available in New York stores but had it been compared it would have been rated tops in space protection and protection against false alarms—two of the top criteria used to evaluate these systems. Don't be confused. There is no system under \$1,000 that provides you with the same protection.

YOU JUDGE THE QUALITY

Will the Midex system ever fail? No product is perfect but judge for yourself. All components used in the Midex system are of aerospace quality and of such high reliability that they pass the military standard 883 for thermal shock and burn-in. In short, they go through the same rugged tests and controls used on components in manned spaceships.

Each component is first tested at extreme tolerances and then retested after assembly. The entire system is then put under full electrical loads at 150 degrees Fahrenheit for a full week. If there is a defect, these tests will cause it to surface.

The Midex security computer looks like a handsome stereo system component and measures only 4" x 10 1/2" x 7".

PEOPLE LIKE THE SYSTEM

Wally Schirra, a former astronaut and scientist, says this about the Midex 55. "I know of no system that is as easy to use and provides such solid protection to the home owner as the Midex. I would strongly recommend it to anyone. I am more than pleased with my unit."

Many more people can attest to the quality of this system but the true test is how it performs in your home or office. That is why we provide a one month trial period. We give you the opportunity to personally see how fail-safe and easy the Midex system is to operate and how thoroughly it protects you and your loved ones.

Use the Midex for protection while you sleep, to protect your home while you're away or on vacation. Then after 30 days, if you're not convinced that the Midex is nearly fail-safe, easy to use, and can provide you with a security system that you can trust, return your unit and we'll be happy to send you a prompt and courteous refund. There is absolutely no obligation. JS&A has been serving the consumer for over a decade—further assurance that your investment is well protected.

To order your system, simply send your check in the amount of \$199.95 (Illinois residents add 5% sales tax) to the address shown below. Credit card buyers may call our toll-free number below. There are no postage and handling charges. By return mail you will receive your system complete with all connections, easy to understand instructions and one year limited warranty. If you do not have stereo speakers, you may order the optional blast horns at \$39.95 each and we recommend the purchase of two.

With the Midex 55, JS&A brings you: 1) A system built with such high quality that it complies with the same strict government standards used in the space program, 2) A system so advanced that it uses a computer to determine unauthorized entry, and 3) A way to buy the system, in complete confidence, without even being penalized for postage and handling charges if it's not exactly what you want. We couldn't provide you with a better opportunity to own a security system than right now.

Space-age technology has produced the ultimate personal security system. Order your Midex 55 security computer at no obligation, today.

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"Customers are delighted with our new phone operation. They show it."

—Shelley Carrico, Bell Account Representative



"John Kubiak, Dow Corning's Marketing Services Manager, said to us: 'We want the emphasis on the customer. On service. The best possible telecommunications service.'"

"The Bell account team, headed by John Burkhardt, suggested a system in which customers call headquarters directly, using a toll-free 800 number. They'd automatically reach a Customer Service Representative—a specialist in their business—who could answer questions, take orders."



"Orders used to be taken at local offices, then sent to Dow Corning USA headquarters in Midland. Order processing could take up to two days. Answers to inquiries might be similarly delayed."



with Dow Corning's new it with bigger orders."

It takes only minutes to process an order today at Dow Corning. In the past, it could take up to two days.

The company also responds trigger-fast to questions about its 1700 varied products.

The story of how a phone system was made to order. Faster. By the Bell System.

And technical people report that their consultation time has been reduced significantly, releasing them for their developmental work.

Today, a Long Distance call comes directly to company headquarters—on a toll-free WATS line. A Customer Service Representative, using a computer terminal, can enter the order on the spot.

Inquiries about products or prices are taken care of at once. And, using the computer, the Rep can answer all questions about the shipment.

This system has dramatically improved communications with customers.

If you also have complex order and inquiry problems, your Bell Account Representative has a line on how to clear them up.

The phone line.

The system is the solution.



"Today, order processing is prompt. The order goes into the computer at once. The Rep can always tell callers where their order is. Customers love it."



"The Bell team helped screen the Reps. We taught them sophisticated telephone techniques, to complement their product and mechanical knowledge."

MONROE. VALUE.

Value is what Monroe is all about. And only Monroe can give you this much value for your calculator dollars:

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Reprinted

The Nation's Business

WASHINGTON

LETTER

> PEOPLE WHO RUN COMPANIES believe climate for business will grow less favorable...particularly with regard to their ability to earn a profit.

That's conclusion of business confidence survey by National Chamber and Gallup.

Note: People surveyed express low opinion of federal government's economic policies.

> BUSINESS LEADERS EXPECT government over next two years to do poor job of fighting inflation and unemployment.

They plainly are worried about the increasing role of government at all levels in business affairs.

Survey also reveals pessimistic attitude about the increasing time and money required to comply with federal regulations.

All respondents say compliance now costs more than two years ago.

> NO RECESSION IN '78. But half the survey respondents look for some kind of downturn within two years.

You'll want to turn to page 32 for survey details.

> IF YOU WALK THE HALLS of government as we do, searching for views important to people in business, you find many federal officials who support findings of Chamber-Gallup survey.

They expect sales to go up in most categories--manufacturing, wholesale, retail. They say construction, automobile industries should do well, a good sign because of ripple effect.

But in area of profit growth, they are hesitant. Inflation plays big role in this, they add.

Item: Nongovernment economist says

'78 profits will advance to new high, but he's quick to add there are many variables: possibility of tight money late in year, inflation, etc. It's a different viewpoint.

> LOOK TO U. S. SENATE as battleground for labor-law legislation.

Expect skirmish to begin this month... probably toughest fight since passage of Taft-Hartley a generation ago.

At issue: Bill known as S. 1883.

Watch what Senate Human Resources subcommittee does with it.

Business believes fundamental purpose of the bill is to change underlying philosophy of National Labor Relations Act from law designed to resolve labor-management disputes to law designed to punish employers who resist union organizing drives.

> BUSINESSMEN LEADING FIGHT against the power-grabbing union proposal have singled out 40 senators whose votes will be decisive, and special effort is being made to present private enterprise viewpoint to them.

House version, H. R. 8410, was passed last October.

> NATION'S MONEY REGULATING agency--Federal Reserve Board--to get new chairman this month?

Term for conservative Chairman Arthur Burns expires.

Question is whether President Carter will appoint Dr. Burns to a new term as chairman--or whether someone less conservative will get the nod.

> ITEM: PRESSURE MOUNTING in Congress to require more open policy at the Fed.

Controversy involves several bills

that would cause Federal Open Market Committee and directors of Federal Reserve banks to maintain detailed minutes of all meetings, then release to public after specified time.

Chairman Burns is upset, showed his concern at recent House Banking sub-committee hearing which we attended.

Under pressure, he opted to consider compromise, in working stage now.

> ITEM IN CONGRESS to watch this year: Senate Joint Resolution No. 1.

Measure proposes constitutional amendment to provide for direct election of President, Vice President.

Needs two thirds of those present and voting. Then needs three fourths of all states for ratification.

> YOU CAN LEARN MUCH about future government policy this month.

Watch for these events:

1. President's State of the Union Message.
2. Economic Report of the President.
3. Budget message for fiscal '79.

> PRESIDENT PROMISED TO BALANCE federal budget by 1981.

No chance, the experts tell us, unless gross national product grows a lot faster than anyone now expects.

Or, unless federal spending is cut sharply. And there's no chance of that either.

> CONGRESSIONAL BUDGET OFFICE reports to Congress, not President Carter. Here's what that office is telling congressmen:

Under current policy assumptions, deficit will be \$49 billion in 1981 and deficits will run through at least 1983.

> THAT BIG FEDERAL DEBT gets bigger every day.

Interest alone now runs a billion dollars every nine days. Debt is twice what it was six and a half years ago.

> LOOK AT SOME of the proposals being pressed in Congress. You'll see quickly what little likelihood there is for any meaningful cut in spending.

One costly example: Humphrey-Hawkins bill.

This legislation sets goal of four percent unemployment in five years after the bill is enacted.

But offers no such objective for inflation. Bill commits government only to something called "price stability."

National Chamber Chief Economist Jack Carlson says passage of this legislation would compel federal government to spend at least \$30 billion to create three million jobs. This, he estimates, translates into a possible \$500 tax increase per family throughout the U. S.

> HUMPHREY-HAWKINS PROPOSAL under consideration is watered-down version of earlier plan.

Earlier version was dropped because of antibusiness and other features.

But legislation still contains emphasis on centralized economic planning... expanded monitoring of prices, wages, more regulation, more reporting to the federal government, more taxation, more confusion in business operations.

National Chamber opposes proposal because it moves toward national economic planning and seeks to reduce jobless rate through such means as creating public service employment.

Business prefers emphasizing growth through private enterprise.

> OSHA RULES TO BE EASED? Yes, in some ways.

From our conversations with key people in government, President Carter is totally serious about getting OSHA off the backs of business, particularly small business. (See page 16.)

Watch for more announcements in next few months. Write to us, tell us your experiences. Editors of Nation's Business will keep watching for you in Washington, will keep you informed as developments occur.

> REMINDER: Minimum wage goes to \$2.65 an hour this month, up from \$2.30.

Wage floor goes to \$2.90 an hour next January, then to \$3.10, and on up to \$3.35 an hour.

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It's your estate. Make it pay out without running out.

HELLO,
PRUDENTIAL

Capital Conservation. It's an important concept when you're planning your estate. Without it, the estate you leave your family may not last long enough or provide enough income to sustain their current lifestyle. There is a way, however, to give them the income they need without eroding principal. Just pick up the phone and say, "Hello, Prudential."

**Prudential's
capital conservation
plans can help provide for
your family's needs.**

A specially trained Prudential representative can show you how your life insurance can be coordinated with your other assets to help provide for your family's important financial needs.



**You can leave more
than financial security.**

A Prudential plan to conserve capital gives your family a psychological, as well as financial, sense of well-being. It is a realistic means of creating, conserving and distributing your estate for your family's benefit.

Call Prudential.

Find out how capital conservation can help your family. Call a Prudential representative today. We'll show you how your estate can pay out without running out.

 **Prudential**
Life Health Auto Home

What a "Hospitality Tax" Would Mean

Your article, "Tax Outlook: Hidden Traps for Business" [November] was on target.

An even better title might have read: "Tax Outlook: Hidden Traps for Us All."

I'm speaking of the business entertainment tax, already dubbed the hospitality tax by the nation's restaurants, hotels, and resorts; by the people who use them as meeting places for business; and by the unions whose members work there.

By inhibiting business spending that is just as legitimate as advertising or office space, this tax would do three things:

- It would reduce state and local sales tax revenues. Hardest hit would be our urban states like New York, where restaurants pay the state \$350 million in sales taxes each year. A ten

percent drop in business would cost the state \$35 million.

- It would cause massive unemployment. Edward T. Hanley, general president of the Hotel and Restaurant Employees and Bartenders International Union, estimates 500,000 people might lose their jobs.

- Women and minorities would suffer most. Waiters, waitresses, cooks, and bartenders hold entry-level jobs, heavily populated by women and minorities. Thirty-five percent of restaurant and bar managers are women, and 21 percent of cooks are classified as "black and other."

We have urged the President to take all facts into consideration before the hospitality tax is officially recommended.

JESS GREGORY
Director of Public Relations
American Express Co.
New York, N.Y.

Blames insurers, too

In your November issue were three advertisements by insurance companies indicating that our jury system is at fault for large damage awards in seemingly inappropriate cases.

Those three ads don't tell you about the man whose hip was shattered while a passenger in an insured automobile and who was left totally disabled by the accident, which he reported to his own insurance company. The company never returned his telephone calls.

The ads don't tell you that this man, out of desperation, finally consulted an attorney. When the attorney asked the agent for the insurance company why it had ignored the individual, the attorney was told: "Well, we get away with some and get caught in others."

This example, while true, is, of course, as rare as the examples contained in the ads. Generally, when there is a jury trial with a verdict in favor of the plaintiff, it is the result of the insurance company's failure either to properly analyze the facts involved or to make a fair settlement on the individual's claim.

THOMAS H. ROBINSON
Practicing Attorney
Richmond, Va.

The Social Security dilemma

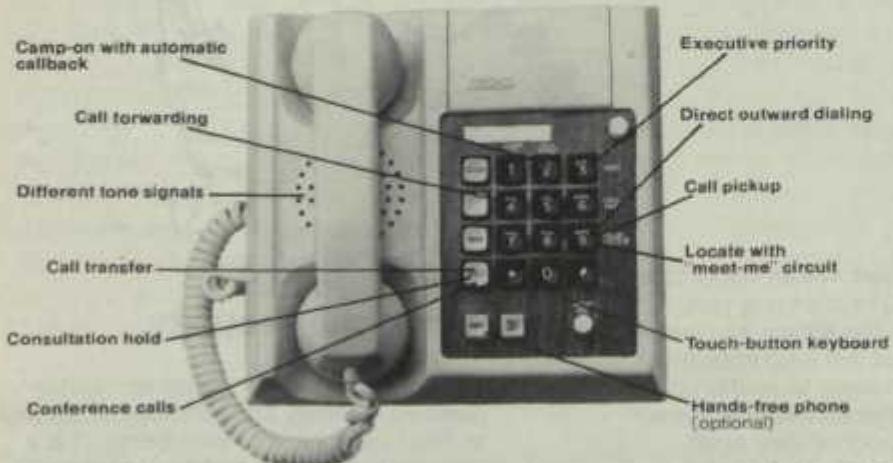
Your article, "Time for Decision on the Social Security Dilemma" [October], was sad but true.

The article did not cover one partial solution to the Social Security system's desperate financial trouble—that is, including state, county, and city employees in the system.

Here in Calcasieu Parish, over the protests of such employees, local authorities arbitrarily announced that they are adopting a retirement plan that gives less benefits than Social Security but costs employees the same amount of money. The city of Lake Charles, La., is contemplating the same move in the near future.

This will deprive the Social Security system of much-needed funds and the employees of benefits and security.

If monies are needed in the Social



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"Paperwork Pain" #2-The Absentee Payroll Clerk

(Second in a series of problems your business can do without)



"I'm afraid I won't be in to do the payroll today."

Who can you depend on to get your checks out when your dependable payroll clerk can't make it in... or goes on vacation... or retires?

You could spend a lot of time and money to train another payroll clerk.

Or you could let *The Service Bureau Company* computerize your payroll for as little as \$25 a week.

With SBC handling your payroll, you can spend more time handling your business.

SBC has a proven 4-point system to help take the hassles out of your payroll.

That means you can cut down on profitless paperwork. And redirect your best people's efforts into areas where they can help make you money.

Plus, you get accurate management information to help you control your biggest operating expense — labor costs.

We let you spend less time on paperwork and more time on making money.

And when you're ready, SBC can get you up and running in as little as one week.

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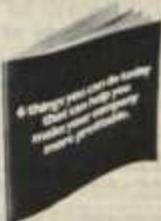
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A-67

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Municipal employees number in the millions.

LORETTA B. MCINNIS
President
Industrial Armature, Inc.
Sulphur, La.

Using the right name

One article in the November issue of NATION'S BUSINESS was titled "Business Leaders at Work for the Enterprise System." On another page was an advertisement speaking about the "competitive enterprise system." Elsewhere in the magazine was a reference to "private enterprise."

With all the government encroachments we are witnessing these days, is it any wonder we no longer know what to call our once-envied American free enterprise system?

It is time to stop playing word games and return to the most progressive, libertarian system ever devised by a free society. One way to get started in the right direction is call the ideal by its correct name again.

If we do not begin the turnaround shortly, there may not be even the word enterprise to debate over, let alone its prefixes. JAMES W. LENHOFF
Oroville, Calif.

Dealing with OSHA

If your article, "The Growing Fury Over Noise Regulations" [October], was designed to prepare us for a new battle, you have succeeded.

Congress broke a basic natural law when it created the Occupational Safety and Health Administration. You cannot solve a problem by giving a person the freedom to exercise authority without responsibility for the consequences. Yet this is what Congress has done with OSHA.

Dr. Eula Bingham, the director of

OSHA, has no responsibility for the safety or health of our employees.

Who is responsible for employee safety and health? Employers are. Who gave us this responsibility? Congress did, in the Occupational Safety and Health Act.

We might not have a great deal of authority, but we do have enough to keep recognized hazards, like OSHA inspectors, out of our business until Congress either repeals this law or rewrites it so it is no longer harmful either to our employees or us.

WILLIAM A. ROSCOE
President
Mason, Inc.
Erwin, Tenn.

Building the Silverdome

Your article, "Sports Stadiums That Don't Burden the Taxpayers" [November], singled out the Pontiac Silverdome because of cost and construction methods that permitted the stadium to be built on time and within budget.

This is the only stadium recently constructed that has used an innovative contracting method known as construction management.

The Barton-Malow Co. served as construction manager on the project, and it was our responsibility to totally control, schedule, and budget. Many of the ideas introduced into the Silverdome's construction were the result of our personnel being involved.

One reason that the per-seat cost of the Silverdome was \$691 was the fact that we were able to save 21½ months construction time by use of the construction management technique.

ROLLAND M. WILKENING
President
Barton-Malow Co.
Detroit, Mich.

For toastmistresses

In a letter in your October issue, James M. Goff, ATM, of Austin, Texas, writes: "The best learn-to-speak organization in the world is a nonprofit one, Toastmasters International, whose world headquarters is in Santa Ana, Calif."

His recommendation is fine, but some Toastmasters International Clubs do not have women in their groups, as I found almost 20 years ago when attempting to continue my Dale Carnegie-type of learning.

I found International Toastmistress Clubs, whose headquarters is in Downey, Calif., provide the same type of training for women.

CHRISTINE W. AMMON
Christiana, Pa.

Regulation and the Search for Truth

IF THE CORRESPONDENTS who cover Capitol Hill were asked to list the ten most difficult issues facing Congress, most of us would begin with familiar topics: welfare, energy, taxation, unemployment, deficit finance, and so on. A few reporters who specialize in scientific matters probably would include a question that has received too little attention: What should Congress do, if anything, toward the regulation of DNA research?

As the 95th Congress reconvenes for its second session, few issues hold greater fascination than this one. When scientists speak of DNA research, they are speaking of research into the secrets of life itself. The possibilities are at once exciting and terrifying. An eminent British scientist, Sir Peter Medawar, contributed an article last fall to the "New York Review of Books." Speaking of DNA research, he expressed his sympathy for laymen and legislators "who are trying to make sense of this whole strange farrago of pipe dreams and nightmares." To which Sen. Adlai Stevenson replied that he wasn't much interested in sympathy; he was interested in "acceptance by the concerned parties that the answers we seek are neither easy nor self-evident."

Sen. Stevenson is chairman of a subcommittee on science, technology, and space. Back in October and November he conducted some thoughtful hearings on DNA. He listened to witnesses saying we should have tighter regulation; he listened to opposing witnesses saying mild regulation will suffice; and then he wisely put the issue aside to let it mature for a while. The philosophical questions are formidable. These are not new questions. They are at least as old as Galileo's problems with the Inquisition; they evoke the trial of Socrates for the sin of pursuing truth. They echo Stalin's support of the Soviet biologist Lysenko, whose resistance to developing genetic theory held Soviet agriculture back for 20 years.

THE LEGISLATIVE PROBLEM that puzzles Sen. Stevenson and his colleagues had its starting point about 1944, when an American immunochemist, Oswald Avery, achieved a breakthrough in the knowledge of hereditary reproduction. He explored the structure of the molecule of an obscure acid, deoxyribose nucleic acid, or DNA. His findings cracked open a door. Other chemists and geneticists, their imaginations fired up, took the structure of DNA apart and found a double molecule, composed of two long chains twisted together. The story of these progressive discoveries, told many times, is among the most enthralling chapters in the history of science.

We are now at the point at which many scientists are experimenting with the recombining of DNA. Dr. Philip Handler, president of the National Academy

of Sciences, has summed up the procedure in a single sentence: It is the technique "in which a fragment of the genetic material of one species is inserted into the genetic material, the DNA, of a second species." A person would have to be as insensible as a block of stone not to see visions.

Two hundred years before Huxley and Orwell, the French scholar Diderot saw one such vision—of baby factories in which human embryos would be cultivated in solutions of predetermined genetic material. Ten years ago biochemist Joshua Lederberg warned that the momentum of scientific discoveries threatened danger to "the whole pattern of life." Other investigators repeatedly have emphasized the towering ethical problems implicit in genetic research. Dr. W. H. Thorpe, of Cambridge University, has ranked



these developments with the discovery of fire and the discovery of the wheel.

In an absorbing book published in 1968, G. Rattray Taylor reported the expanding genetic discoveries. He described them as "The Biological Time Bomb." In a sober analysis of the possibilities for good and ill, he dealt with the potential advantages to agriculture and to animal husbandry in the work that was then going forward. He dealt also with the fearful possibilities for harm. His grim conclusion is worth recalling:

"I am therefore forced to the conclusion that society will have to control the pace of research, if it can, and will certainly have to regulate the release of these new powers. There will have to be a biological 'icebox' in which the new techniques can be placed until society is ready for them. This is not a conclusion to my taste at all. I do not feel in the least optimistic about our prospects for exerting such control without serious muddles and abuses. Nevertheless, the social consequences of what is in the

pipeline could be so disastrous—nothing less than the breakup of civilization as we know it—that the attempt must be made."

SEN. STEVENSON and his colleagues are hearing similar advice these days from a number of concerned scientists. Parallels are being drawn with the hydrogen bomb. The techniques of atomic fission and fusion long ago were understood to embrace the capacity for both social good and social catastrophe. In retrospect, it is possible to conclude that the A-bomb should never have been put together.

But other scientists are making the point that has to be made. The comparison between atomic research and DNA research is apposite only in this particular: Knowledge cannot be suppressed. The restless mind of man can never be contained. If Fermi and Oppenheimer and the others had not developed the art of atomic fission, other physicists would have developed it—if not here, then somewhere else. Beyond a certain point, the best-intentioned legislative efforts at regulation can be little more than nets to snare the wind.

This was the argument that Dr. Handler made convincingly in a statement to the Stevenson subcommittee in November. He recognized three areas of public concern. The first lies in the fear that some dangerous new microorganism might escape laboratory control and wipe out whole communities in the fashion of a bubonic plague. A second fear goes to the capability of genetic manipulation of man himself. Here the argument is that it would be best to prevent the development of this capability by summarily halting all research on recombinant DNA—"there are some facts that man should not seek to learn." The third theme, said Dr. Handler, "urges that we not do anything that smacks of tinkering with evolution." We should not cross a barrier between the will of God and the acts of man.

ON THE FIRST POINT Dr. Handler felt satisfied that existing nonstatutory guidelines laid down by the National Institutes of Health will suffice. These guidelines, in his view, provide adequate protection for the public health, and they give responsible scientists abundant room to turn around in. As new data become available, these restraints can be adjusted. The risk of catastrophe, in Dr. Handler's view, is virtually nil.

The other concerns seemed to him of larger importance. He urged the attentive senators to think carefully before taking any action that might abridge the freedom of scientific inquiry.

"This is not an ancient freedom," he said. "Commencing about 400 years ago, this concept developed slowly with the growth of science itself. Hopefully, the day is past when anyone would seriously argue that the government should prohibit free expression of new ideas simply out of fear of the ideas themselves. Totalitarian governments may fear new ideas, even as they fear their own people. But in the United States, the freedom openly to espouse and debate new ideas has been the essence of liberty and the guardian of democracy.... I hold that it must certainly be more dangerous to live in ignorance than to live with knowledge."

To the scientist, Dr. Handler went on to say, experimental research is an inseparable aspect of free scientific inquiry. Such research involves more than words and thoughts: It involves action. In these days of federal subsidies, the government already has enough power to regulate action by regulating the amount and the nature of federal grants. In this regard, "the potential power of the government to limit or inhibit the development of new knowledge is vast." Said Dr. Handler:

"We must, therefore, be ever vigilant against the argument that the government must decide what is safe for the American people to learn and, hence, to know, or that the government should be the arbiter of knowledge.... The objective of some who have proposed the regulation of recombinant DNA research is to use the power of government for the suppression of ideas that may otherwise flow from such research. That would take us back to an era of dogmatism from which mankind has only recently escaped. And it would be a feckless task. In the long run, it is impossible to stand in the way of the exploration of truth. Someone will learn, somewhere, sometime."

WHAT WE HAVE here, it seems to me, is a classic exposition of the bold convictions of a Milton and a Jefferson. The genetic Copernicus who sees new heavens beneath his microscope must not be needlessly inhibited by the bureaucratic agents of a new Inquisition. The day will come when recombinant DNA research will be performed in small commercial laboratories, in high school laboratories, wherever facilities can be set up. Certainly, as Dr. Handler emphasizes, some regulations are necessary in the interest of public health and safety. But the regulations ought to be drafted and enforced with the certainty that the mind of curious man can never be kept caged and confined.

One hears Promethean echoes. By some accounts, Prometheus was the creator of man, whom he molded of mud. In the familiar story, Prometheus stole knowledge that Zeus wanted to keep to himself: Prometheus stole the secret of fire. Zeus punished the audacious intruder by nailing him to a mountain. There an eagle tore out his liver every day, and it grew back every night. If one pursues the myth a step farther, one gets to Pandora and her box of troubles visited upon mankind.

Genetic scientists who are experimenting with DNA are stealing fire from no one. They are pursuing trails of knowledge wherever the trails may lead them. They are not usurping the power of a divine Creator; they are using only those powers of intellect provided by this same Creator through a double-stranded molecule. Yes, there are risks. There are always risks. But there are opportunities also for incalculable good. The trouble with regulating scientific research, as Dr. Handler told the senators, is that regulation begets regulation.

"Do be very careful," he urged them. "An excess of zeal to protect us against all risks, however minor, particularly when seen against the backdrop of our chancy world, could seriously cripple science, the principal tool our civilization has fashioned to mitigate the condition of man."

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A LOOK AHEAD FROM WASHINGTON

OSHA Gets to Work Erasing Unnecessary Regulations

As promised early in the Carter administration, the Labor Department has started the process of exterminating some 1,100 regulations that have made the Occupational Safety and Health Administration perhaps the least loved of federal agencies.

Labor Secretary Ray Marshall and Assistant Secretary Eula Bingham, who heads OSHA, announced last May that one of OSHA's top priorities would be to get rid of irritating and often nonsensical rules that really don't improve workplace safety.

Special industry standards that deal with cooperage, baking equipment, and laundry operations will be revoked in their entirety because other OSHA industry standards adequately protect workers.

As criteria for revocation of other standards or portions of standards, OSHA is using these guidelines:

The regulation is obsolete or inconsequential; is encumbered by unnecessary detail; imposes no substantive requirement; is concerned merely with comfort or convenience; is directed toward public safety or property protection; is subject to enforcement by other agencies; or is contingent on manufacturers' approval or recommendation.

In addition, OSHA has issued a directive to its field staff expanding the use of *de minimis* citations.

Generally, inspectors will consider a *de minimis* condition to exist if an employer complies with the clear intent of a standard but deviates in a way which has no direct or immediate relationship to employee safety. Such a deviation might involve the use of colors, materials, or sign wording, or there might be slight variations from inspection, testing, record-keeping, and maintenance requirements.

Also, a *de minimis* condition will exist if the employer complies with a proposed change rather than with the existing standard, and if the employer's workplace is technically advanced beyond the requirements of the existing standard and provides equivalent or better safety and health protection.

ICC Looks for Ways to Help Independent Truck Operators

The Interstate Commerce Commission has launched an inquiry to develop regulations that would help the independent trucker.

"We're searching for means of improving the bar-

gaining position of the small owner-operator trucker in his dealings with the regulated carrier," ICC Chairman Daniel O'Neal says.

Regulatory proposals under consideration cover amount of pay, when payment is required, reimbursement for cost of fuel and fuel taxes, credit for unused portions of license plate fees, and explanation of the purpose of any escrow funds.

In addition, ICC will review various items commonly charged to the driver by the regulated carrier, such as insurance, service charges, and paperwork processing. Also to be looked at are policies requiring periodic washing of vehicles at a carrier's facility, equipment lease-purchase plans, and purchase of fuel at a carrier's fuel pumps.

Patent Protection Pact Is Going Into Effect

U. S. inventors and businesses are scheduled to start benefiting from the Patent Cooperation Treaty by midyear. The pact officially goes into force Jan. 24, but there is a six-month delay to allow member nations to gear up for patent processing under the treaty.

The pact, heralded as the most important treaty on patents in nearly 100 years, will make it easier for American businesses to obtain patent protection abroad. Also, it will ease the balance of payments situation by bringing in additional income from the sale and licensing of American technology.

Under the new system a U. S. firm will file one application designating the nations subscribing to the treaty in which it wants patent protection. Then the firm will have eight months in which to have translations made and pay the national fees involved.

Previously U. S. applicants had to file simultaneously in different countries—which was time-consuming and costly. The new system will provide an international patent search report prior to the date when an applicant must pay national fees and submit translations. This will allow patent-seekers time to decide whether or not to continue seeking protection in a designated country.

The U. S., Britain, France, Switzerland, and West Germany are the first major industrial nations to sign the treaty. They have been joined by nine African nations. Other countries, including the Soviet Union, are expected to become signatories.

Small Home Builders Get a Boost From SBA

The Small Business Administration is making it easier for small home builders to get financing from SBIC's.

Until recently SBA has forbidden SBIC's—small business investment companies—to have more than one third of their portfolios in real estate concerns.

Now, however, the agency has had a change of heart. It has announced a general policy of granting exemptions from this one-third restriction on a case-by-case basis.

Such approval will permit an SBIC to exceed the restriction and thus finance more home builders.

Longer Term Home Loans Due From Credit Unions

Credit union members soon may be able to obtain longer term residential real estate loans.

Currently credit unions are restricted to making real estate loans with maturities not exceeding ten years. Amendments to the Federal Credit Union Act passed last April boosted the permissible maturity date to 30 years, while adding some tough restrictions.

Now the National Credit Union Administration has developed implementing regulations.

Credit unions are to be allowed to have no more than 25 percent of total outstanding loans in real estate. A loan may be as much as 95 percent of the value of a home, but sale price of the dwelling may not exceed 150 percent of the median sale price of residential property in the relevant geographic area.

To make the longer term loans, a credit union generally will be required to have a minimum asset value of \$2 million.

Frightening Increases Reported in State-Local Property Taxes

While the major tax reform focus will be on Washington this year, business and other taxpayers will also be seeking relief from steadily rising local and state property taxes.

Property tax revenues of state and local governments increased 10.7 percent nationwide in fiscal 1976; they were \$57 billion as against \$51.5 billion in fiscal 1975. Local government property tax revenues rose 9.7 percent and state government property revenues zoomed 45.9 percent in that one year.

The U. S. Census Bureau's 1977 Census of Governments says both increases were the largest since 1972. In that year the local government increase was 11.3 percent and the state government rise was 11.6 percent.

Property tax revenues for local governments to-

taled \$54.9 billion in 1976. State government property revenues were \$2.1 billion.

Administration Seeks Power to Revamp Transport Policy

Congress this month is scheduled to get legislative proposals that are designed to allow the Carter administration to drastically revamp national transportation policy.

Called for will be a restructuring of grant programs, reforms in the way transportation industries are regulated, and establishment of a combined federal transportation funding account to remedy the problem of fiscal imbalances among the various modes of transportation.

Transportation Secretary Brock Adams says there will be recommendations for specific changes in the grant programs to bring them in line with national energy, environmental, social, and economic goals.

He notes needs for a better balance in federal aid to meet urban and rural transportation requirements, more freedom to transfer federal funds to localities, and elimination of red tape.

Further, he says there is need for a mechanism to counter the tendency of local officials to favor projects that bring in the most federal dollars.

With details still being worked out, Secretary Adams indicates that more attention will be paid to future transportation requirements, although ongoing projects, such as completion of the interstate highway system, will not be neglected.

Bill Would End HUD Role in Rural Development

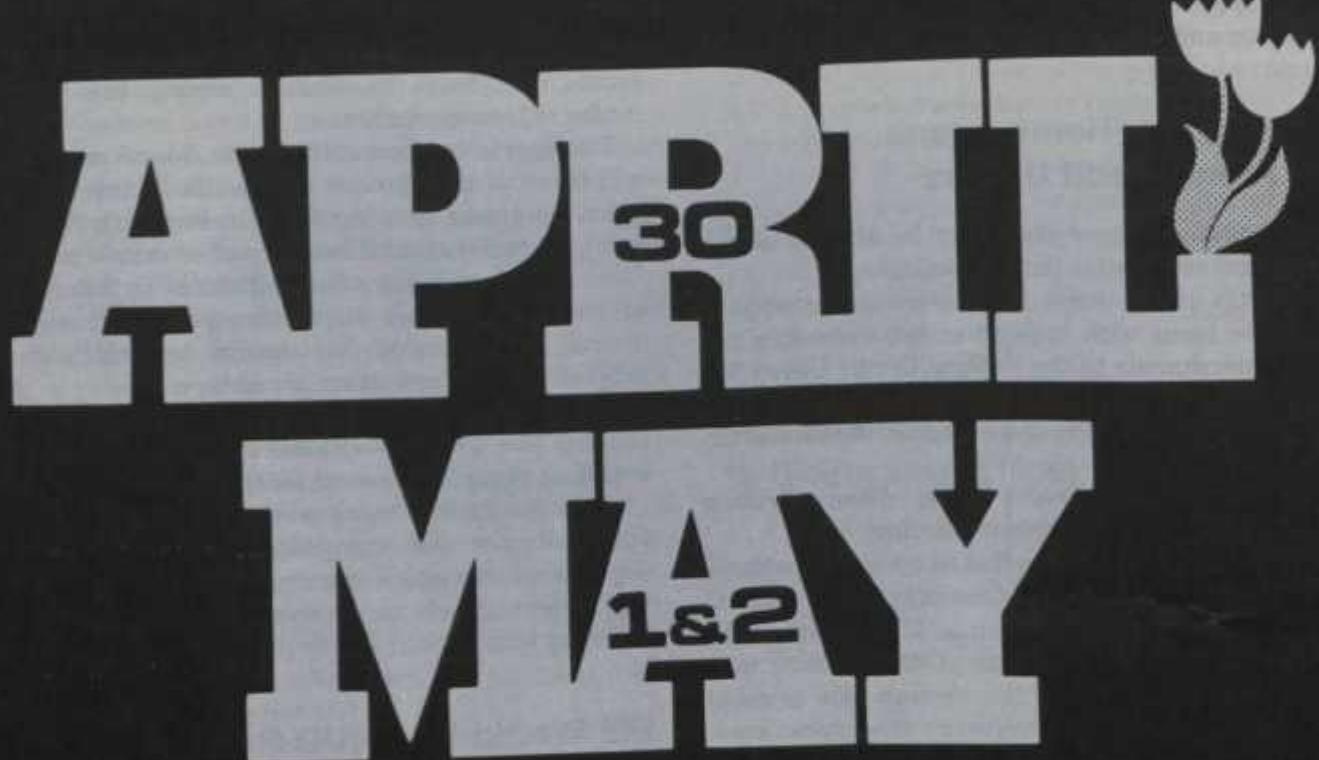
Who should be steering rural communities' development efforts? That question is sure to be debated at the White House Conference on Balanced National Growth being held in Washington Jan. 29-Feb. 2.

The current Housing and Community Development Act stipulates that at least 25 percent of all action grant funds go to smaller communities. The funding is administered by the Department of Housing and Urban Development.

Now Rep. Charles E. Grassley (R-Iowa) has introduced a bill that would strip HUD of some powers and transfer full responsibility for rural development to the Agriculture Department.

The bill, H. R. 9983, The Rural Community Development Act of 1977, would apply to communities of under 20,000 in nonmetropolitan areas. A \$1.2 billion budget for a three-year period would fund a wide range of community development activities. The legislation would not affect existing Rural Development Administration programs nor the Housing and Community Development Act fund stipulation through fiscal 1978.

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These are the dates for the 66th Annual Meeting—in Washington, D.C.—

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66th Annual Meeting

Should the Business Lunch Be Deductible?

IT'S NOONTIME at The Four Seasons in New York, The Gandy Dancer in Washington, or the Top of the Mark in San Francisco. On the table there is spotless linen, crystal glassware, and an expensive-looking menu.

Two or more people are ordering from a long list of soups, salads, and entrées. While they wait for the food, they may down a martini apiece, perhaps several.

During the meal there is lots of conversation, and some figures may be penciled on the damask.

At the end one diner whips out a credit card and signs the tab, and everyone heads back to the office or airport.

It was a business lunch—a tax-deductible expense.

Of course, not all business lunches take place in such plush surroundings. The diners may break bread in a modestly priced restaurant. The meal could

be pizza or fried chicken, rather than filet mignon or lobster.

Wherever it happens, the tab can be charged off as a cost of doing business if business was discussed or transacted.

Is this a rip-off on the Internal Revenue Service, which casts a covetous eye on all income, personal or corporate?

Some political leaders think it is.

When he was running for President, Jimmy Carter said he thought so. He cited this deductible item as one of the inequities in our tax laws, which he called "a disgrace to the human race."

Speculation has been that the President wants to make business lunches only 50 percent deductible.

In rebuttal, businessmen say that many a sale is made over the luncheon table and many a contract signed. They contend the business lunch is an accepted and valuable tool of doing business.

Also, they point out that tax deductions for business lunches—or for similarly oriented meals in the evening or morning—are vital to many downtown restaurants which otherwise might flounder.

The Hotel and Restaurant Employees and Bartenders International Union is on the same side of this argument. The union points out that bartenders make the drinks, while waiters serve the food, prepared by cooks or chefs. Many of these employees are union members.

Are deductible business meals a worthwhile lubricant that helps grease the wheels of job-providing commerce and industry, or are they a sybaritic abuse of our tax laws that cries for reform?

Should the business lunch continue to be fully tax deductible? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
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Should the business lunch continue to be fully tax deductible? Yes No

Comments: _____

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A Landslide Vote for Keeping the Canal

PRESIDENT CARTER says it is his responsibility to educate the American people so they will "change their concepts" about who should own and control the Panama Canal. His object—to win public approval, and subsequent congressional approval, for treaties turning over ownership and control of the canal to the Republic of Panama.

Judging by responses to a NATION'S BUSINESS survey, Mr. Carter has a lot of educating to do.

The November "Sound Off to the Editor" question was: "Should the U. S. turn the canal over to Panama?" Readers vote no, seven to one.

Says E. R. Jackson, vice-president and manager of the cost control and scheduling department at the Ralph M. Parsons Co., Pasadena, Calif.: "We built the canal, we own it, and we don't want to give it away."

A. S. Vidimos, president of Vidimos, Inc., East Chicago, Ind., says: "The canal is an American investment that has benefited the people of Panama. It belongs to us."

Douglas K. Casler, branch manager

for Menno Travel Service in New York City, says the United States should "not give away everything we own."

Robert W. Trocke, secretary-treasurer of Power Reps, Inc., Northfield, Ill., says: "The Panama Canal is a symbol of American ingenuity and greatness. To give it up would be as humiliating as losing the battle of the Alamo."

J. K. Richardson, president of the Arizona Mining Association, Phoenix, says that "the entire treaty situation is shoddy and insulting to Americans."

B. G. Johnson, president of the Williams Printing Co., Nashville, says: "I have listened to all the facts and have been impressed with all the brass that supports the treaty, but I just can't support turning over the canal."

Among important concerns identified by many respondents are the nature of the Panamanian government and, particularly, the nature of the head of that government, Brig. Gen. Omar Torrijos Herrera.

R. E. Ostrander, president of Ostrander Motor Corp., Bath, N. Y., says Panama is a "country so unstable that it cannot rule itself effectively and cannot be expected to operate the canal impartially or with the essential expertise."

The United States "has a worldwide responsibility to maintain a predictable world transportation system," says William L. Hockenberry, an architect in Tustin, Calif. "The turning over of the Panama Canal would move this important link from a predictable situation into an unpredictable situation."

And James M. McLynn, president of DTM, Inc., Bethesda, Md., says: "Gen. Omar Torrijos Herrera is a dictator who is denying full civil rights to the Panamanian people. Any act on the part of the U. S. which would strengthen Torrijos' repressive regime is an act against the people of Panama."

Some readers believe Panama should reimburse the U. S. for the cost incurred in construction and maintenance of the canal.

David M. Kroontje, associate broker at Cloverleaf Realty, Ferndale, Wash., says the U. S. government "tends to be

too philanthropic." If the canal is turned over to the Panamanians, he says, "they should pay for it—in cash."

D. W. Cather, senior vice president of DeLeuw, Cather & Co., Atlanta, says: "We should sell it to them for its current value."

On the other hand, Wilbur V. Tyler, a broker at Thompson's Insurance Agency, Philadelphia, says: "The U. S. has received benefits over the years to adequately repay us for building the canal. The people who oppose returning the canal remind me of bridge builders who charge tolls and never collect enough money for the original cost."

Another concern of respondents is the Panama Canal's role in the U. S. economy and national security.

Says C. S. Williamson, Jr., manager at The C. H. Triplett Co., Pine Bluff, Ark.: "The canal is too important to the defense and trade of this hemisphere to be turned over to a left-leaning, unstable dictatorship."

However, E. J. Costello, director of marketing at ICI Americas, Inc., Wilmington, Del., says: "The canal is no



R. D. Stewart, president of Neece Steel Corp., Claremore, Okla., expressing the majority viewpoint, opposes ratification of the treaties. He asks: "Should we give the U. S. back to England?"



E. Lee Feller, chairman of Alliance Foods, Inc., Coldwater, Mich., is on the minority side of the issue. "The canal is no longer of great economic or defense benefit to the United States," Mr. Feller says.

longer critical to the survival of the economy of the U. S."

The possibility of sabotage and guerrilla warfare if the canal is not turned over to Panama is a subject of controversy.

R. C. Rogan, a buyer for M. E. Moses Co., Inc., Dallas, says he is certain that a division of Marines can adequately protect the canal. He adds: "Granted there might be some bloodshed, but capitulation would certainly lead to bloodshed in the future."

To the contrary, says retired chemist E. Leon Foreman, of Hemet, Calif., "our experience in Vietnam indicates clearly that organized military forces cannot prevail against guerrilla forces. Retention of the canal would not be worth the cost in American blood."

Respondents are concerned over the impact that turning over the canal would have on the national image abroad.

"Other nations will see how naive and weak we are," says O. G. Feltner, Jr., president of Atkinson Sales Co., Dallas. "Russia will want Alaska back, France will want the Louisiana Purchase back, and Mexico will want all its territories returned."

Joe A. Poston, personnel manager of

the Milliken & Co. plant in Toccoa, Ga., asks: "When are we as Americans going to stand up for what we believe and stop retreating like a frightened dog?"

On the other hand, Michael Painter, president of Michael Painter & Associates, San Francisco, says it is "unfair to divide a country like Panama in half." Retaining possession of the Canal Zone "makes us appear to be a colonial power," he says.

Robert D. Willis, president of Willis & Griffith Insurance, Ventura, Calif., has been in Panama. He says: "Knowledgeable people down there are quick to admit that their country is not technically or financially able to operate or maintain the huge canal complex."

Respondents favoring ratification of the treaties give a number of reasons.

Charles H. Weaver, an executive vice president of Westinghouse Electric Corp., Pittsburgh, says he favors ratification "from the viewpoint of national security and general relations with the Latin American countries."

Bajis Dodin, of Hammond, Ind., a systems engineer for the Pullman Standard division of Pullman, Inc., says: "Building permanent friendship is preferable to colonization."

And William T. Webster, executive vice president of Depositors Trust Co., Augusta, Maine, says he hopes "Americans will wipe away pride and chauvinism and avoid the disastrous consequences of a confrontation with Latin American countries." He adds: "Remember how we forced the British and French to relinquish control of the Suez Canal?"

Besides, says Stephen A. Davis, attorney in Summerville, W. Va., "we stole the Panama Canal fair and square, but being good sports, we should give it back."

However, Charles D. Cobb, president of Kinco Corp., Greenville, N. C., says: "If America is having guilt feelings about imperialism or morality, it is foolish to give the canal and the Canal Zone to Panama, our creation." Mr. Cobb says that if the United States doesn't retain the territory, it should "be returned to Colombia, from which this land was wrested." He adds: "Let Colombia worry about guerrilla warfare."

And R. E. Folsom, general manager of Radio Products Co., Flint, Mich., says: "The globe is getting pinker and pinker. Let us keep this chunk of ground red, white, and blue." □



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President and Mrs. Carter left their limousine for an unprecedented walk at the head of his inaugural parade in one of many touches designed to launch his administration on an informal note. Mr. Carter's partisans and critics were later to debate whether such gestures represented a genuine move to bring the presidency closer to the people, or whether the new President was using style as a substitute for performance.



President Anwar Sadat of Egypt conferred with President Carter in the White House last April as the U. S. chief executive sought a goal that eluded his predecessors—a Middle East peace agreement. Mr. Sadat took the initiative himself in November when he electrified the world with his historic visit to Israel.



At the midway point of his first year in office, President Carter told citizens of Yazoo City, Miss., that "I'm pleased overall—I like the job." He is making several such appearances throughout the country to obtain the views of local citizens in a town-meeting format.

PHOTO CREDIT: RAP TOOLS RELEASED X PHOTO: DENNIS DICK—BLACK STAR
Mr. and Mrs. Carter have a spectacular view when, weather permitting, they relax on the White House south portico's balcony at the end of the day. The balcony is an example of how easy it is for a President to become embroiled in controversy. When President Truman ordered it built in 1945, there was a storm of protest—not just because of the change in the White House appearance, but because of the cost. The cost: \$10,000.

Retired
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Carter's First Year— How He's Doing

By Robert T. Gray

NATION'S BUSINESS asked leaders of business and government to assess the President's performance so far. Here is what they have to say

IN CAMPAIGNING for President, Jimmy Carter promised the American people "an efficient, economical, purposeful, and manageable" government.

"I recognize the difficulty," he said. "But, if I'm elected, it's going to be done, and you can depend on it."

On the international scene, Mr. Carter declared, "I want to see our nation return to a posture, an image, a standard, to make us proud once again."

The completion of Mr. Carter's first year in office provides a natural opportunity for taking stock of progress toward those and other ambitious goals he set during his campaign and early days in office.

NATION'S BUSINESS asked a broad cross section of business and government leaders how they grade the President's performance during his first 12 months in the White House.

Six areas of concern

The answer from the business community can be summed up as: not very good.

Assessing the Carter record in six areas of business concern, a strong majority of the executives give the President only poor or fair marks, with good or excellent as the other alternatives.

The areas: domestic affairs in general, international affairs, economic policies, energy, reduction of regulatory and paperwork burdens, and efforts to increase public confidence in government.

A major complaint of the business leaders is that President Carter and his staff lack necessary knowledge of how the competitive enterprise system works and the things that must be done—or not done—to keep it functioning.

Many members of Congress, including some from the President's own party, complain that the administration has been inept in dealing with the legislative branch, has proposed too many major initiatives under unrealistic deadlines, and has failed to develop a sense of national purpose.

Others say Mr. Carter has gotten off to a good if sometimes rocky beginning at a particularly difficult time in the nation's history and will grow with experience.

Members of the President's immediate White House family are more generous in their appraisals of the Carter record to date.

Economic problems persist

But not even the President's most ardent partisans would claim the first year can be considered a time of solid achievements and triumphs.

Both supporters and critics agree that economic problems persist.

Unemployment and inflation rates remain well above administration goals. The energy crisis has worsened. The dollar has sagged abroad, and the nation faces a record trade deficit. The White House's own uncertainty over tax revision, particularly on actions

affecting capital investment, has undercut business confidence. Investment has lagged, and the stock market has drifted downward.

Meanwhile, presidential policies in such matters as U. S.-Soviet relations, the Middle East, and the Panama Canal have sparked divisive debates in Congress and in the nation.

Politically, many of the groups that joined in giving Mr. Carter his narrow victory in November, 1976, have expressed varying degrees of disenchantment with the way they have been affected by his conduct in office. Labor unions, blacks, the American Jewish community, women's groups, urban officials, and substantial numbers of voters in the Southern states that were crucial to the Carter victory have expressed dissatisfaction with some policies he has pursued as President.

As a result of the problems that have accumulated, many veteran Washington observers see Mr. Carter's first year in office as a series of setbacks that must be overcome, rather than as a period of progress.

Jody Powell's view

One of Mr. Carter's key advisers, however, believes that a broad view of the Carter presidency to date gives a different perspective.

Presidential Press Secretary Jody Powell told NATION'S BUSINESS in an interview in his White House office that 1977 marked a good beginning.

"This has been a year in which we

tackled a large number of complex problems for which there are no solutions that make everybody happy," he said. "In many cases, none of the solutions makes anybody happy.

"We have begun to deal with some very difficult problems that, frankly, have not been addressed in any serious way in the past several years."

In the wake of Vietnam and Watergate, Mr. Powell said, the nation would like "a little peace and quiet, a chance to catch our collective breath." But, he added, "I'm not sure we can really afford that." He said the challenge confronting the Carter administration is to "summon the national will to deal with our problems."

Against the background of growing criticism of the Carter administration from many quarters, Mr. Powell said that "this year, and perhaps for a number of years to come, there is not going to be a lot of good news, in the traditional sense, for us to talk about.

"To the extent that this administration earns the support and respect of the American people, it is not going to do so simply by saying things that make people feel comfortable and happy and good. That support and respect will be earned by a willingness to tackle difficult subjects and say things that may be a little unpleasant but need to be said."

Business uncertainty

Surveying the business scene, Mr. Powell made a comment that brings him into agreement in at least one important respect with business leaders: "Clearly, we are still going through a period of uncertainty about the economy."

The word uncertainty crops up frequently in the appraisals of business executives polled.

J. W. Sharman, Jr., chairman and president of General Leisure Corp., Houston, says that the administration has "contributed uncertainty to the economic scene. Its decisions seem to be based on political considerations rather than the long-range economic well-being of the country. It seems to have no sense of how economic incentive drives the system."

One of the toughest assessments comes from Earl N. Hoekenga, chairman and president of Ryder Truck Lines, Inc., Jacksonville, Fla.

He says: "I don't think it is possible to find very many people at this stage who are even admitting they may have voted for Mr. Carter. He is going to be the same kind of President as he was a



Voluminous briefing books on major issues are required presidential reading, even on brief trips home to Plains, where this photo was taken.

Mr. Carter's key fiscal aides are Chairman Charles Schultze of the Council of Economic Advisers and Treasury Secretary W. Michael Blumenthal.

Mr. Carter has tackled many long-neglected problems, says Presidential Press Secretary Jody Powell, shown at work in his White House office.



governor—a one-terminer. He is in a very bad hole and must extricate himself quickly, or he may not even get the nomination of the Democratic Party."

John S. Lalley, chairman of Peterson, Howell & Heather, Inc., Hunt Valley, Md., reflects the views of many other executives in commenting:

"Carter seemed to come on strong immediately after the election and was a pleasant surprise. Since then he has had a singular lack of success in getting anything accomplished. This lack has produced a higher level of uncertainty now than the day after the election. I like much of what he says—but what has he done?"

Some optimism

The President "lacks the confidence of the business community," in the view of Jack MacNider, president of

Northwestern States Portland Cement Co., Mason City, Iowa.

On the other hand, F. C. Hubbard, president of Elston-Richards Storage Co., Grand Rapids, Mich., says the Carter record to date is "not too bad for a Democratic administration. It could be much worse, and I hope it gets better."

And James M. Conley, president of J. A. Conley Co., Greensburg, Ohio, comments that "Carter is a good man who has goals which I generally agree with. He hasn't accomplished very much as yet, but I think his effectiveness will improve."

Many of the executives are unhappy with specific Carter actions affecting their own businesses.

For example, Alan B. Miller, president and chief executive officer of American Medicorp, Inc., Bala-Cynwyd, Pa., which operates 55 hospitals, says he

is "disappointed with the administration's evolving health policy because the Department of Health, Education, and Welfare has recommended an arbitrary cap on hospital costs, rather than the new budgeting system that Mr. Carter endorsed in 1976."

He says cooperation between the administration and business would be in the public interest, "while rhetoric and simplistic solutions are not."

How Sen. Byrd sees it

On Capitol Hill, appraisals of President Carter's first year tend to reflect partisan loyalties. But both Republican and Democratic comments provide insights into the performance of the administration in the crucial areas of priority-setting and cooperation with the legislative branch.

"Well done." That is the way Sen.



PHOTO: BILL SPORN—BLACK STAR

Throughout his campaign, Mr. Carter leaned heavily on pollster Pat Caddell's opinion surveys. Mr. Caddell, who heads Cambridge Survey and Research, Inc., remains a close personal friend.

*Carter photo survey
reprinted
Black Star,
Sigma*

President Carter meets with his cabinet secretaries and special advisers at the White House. One of the criticisms of Mr. Carter's administration is that he has given cabinet officers too much freedom.



PHOTO: J. P. LAFORD—SIGMA



President Carter meets frequently with two men whose support is crucial to his legislative programs—Senate Majority Leader Robert C. Byrd (center), of West Virginia, and House Speaker Thomas P. O'Neill, Jr., of Massachusetts.



Minority Leader John J. Rhodes, of Arizona, heads Republican House opposition to administration plans.



Drought and the farm distress it caused took President Carter to California during his first year in office. As 1977 came to a close, the overall economic woes of farmers sparked tractor demonstrations protesting government policies.

12-16-78
Robert C. Byrd (D-W. Va.), the Senate majority leader, describes the overall Carter record in 1977.

But the assessment is not without some qualifications.

"I think the President has certainly tried to carry out his campaign promises, and on the whole his record has been good," Sen. Byrd says. "One of his problems has been trying to do too many things at once, perhaps. He set deadlines by which to fulfill his commitments, and this has made it hard for him."

"The President should be given credit for sending up a comprehensive national energy policy."

"There are many things to be credited to the President's initiative. For example, his first request was for natural gas emergency legislation. Congress passed it, almost without change. He asked for a new Department of Energy—he got it. His request for legislation authorizing him to restructure government agencies was enacted. The jobs program was enacted. The public works program was enacted."

"Other legislation which he requested has passed—the minimum wage rise, the farm bill, mass transit, and the surface mining bill, which had been vetoed twice before. All these

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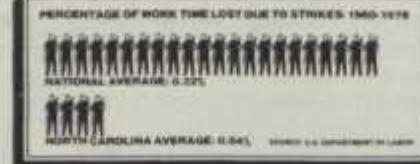
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NORTH CAROLINA

programs are having an impact. Consumer confidence is stable. Inflation is stable. Unemployment is not going up; it was down in the year and for several months has been hovering.

"As far as I am concerned, some of the promises that were made during the campaign, or that were interpreted as promises, could not be expected to be brought to fruition. A candidate is in a very different position from that which he holds once he is elected.

"People expect too much of a President. They expect too much of a senator. They expect more than can be delivered.

"It takes time to assess the previous record. It takes time to deal with the problems. It takes time to analyze the results of actions you have taken in dealing with the problems."

Differing views

The most effusive praise for Mr. Carter comes, not surprisingly, from House Speaker Thomas P. O'Neill, Jr., (D-Mass.), who has been his most outspoken champion on the legislative front.

"I believe President Carter has done an excellent job and is still tremendously popular with the people of America," Rep. O'Neill says. "I hear this from the barbershops, the grocery stores, and the streets of my district."

But Rep. John J. Rhodes (R-Ariz.), the House minority leader, says flatly that "the country has not profited from Carter's first year in office." Mr. Rhodes says:

"Fiscally, the rhetoric is there, but the performance is not. I am disturbed by this administration's penchant for talking about a balanced budget but not cutting expenses. On the other side, we have the Social Security tax increase and the proposed wellhead tax on oil and natural gas, both of which will produce tremendous revenues."

"The thought strikes me that this man intends to balance the budget, not by reducing the size of government, although he said he would do that, but by increasing the tax bite on the American people. It's a phony operation."

Also, Mr. Rhodes says, "the economy is not as strong as I had hoped. We are operating with a balance of payments deficit that is really horrendous. The Congress has not been able to come together with any kind of energy plan, nor has the administration, really."

Asked whether he could list any positive contributions by the Carter



PHOTO: DENIS SHACK—BLACK STAR

Hamilton Jordan's title is assistant to the President, and his long and close personal relationship with his boss makes him the most influential of all on the White House staff.



PHOTO: FRANKLIN—SYGMA

The President and James R. Schlesinger, head of the newly created Department of Energy, ran into a congressional buzz saw over development of a national energy policy.



President Carter and Gen. Omar Torrijos Herrera (right) signed treaties calling for a gradual turnover of the Panama Canal to Panama. The ceremony was in Washington. Ratification of the treaties promises a bitter congressional battle.

*att
Carter photo
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to Sigma
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administration, Rep. Rhodes gives a tongue-in-cheek reply: "Well, we haven't gone to war."

Sen. Cranston sees errors

An influential member of Mr. Carter's own party in Congress, Sen. Alan Cranston (D-Calif.), is not totally content with the President's record to date.

Sen. Cranston, who is Senate majority whip, says:

"I think he has made a number of mistakes. He has created unnecessary headaches for himself by setting tight deadlines for programs. Because of the complexity of the problems the President has been trying to deal with, some of his programs, slapped together under the pressure of those deadlines, have not been thoroughly thought through."

Sen. Cranston adds, however, that "most of the administration's errors have been the mistakes of beginners who are still learning how to run the White House and the executive agencies."

"Jimmy Carter is proving himself to be a rather rapid learner. In balance, I'd give him an A for effort, a B in performance, and an A-plus in prospective accomplishments."

The legislative process

Sen. Ted Stevens (R-Alaska), assistant Republican minority leader, says his reaction to President Carter's first year can be summed up in one word: disappointment.

"We have been disappointed by the Carter administration's total lack of understanding of what really makes the legislative process work," Sen. Stevens says.

"Pennsylvania Avenue is a two-way street, but as far as this administration is concerned, it is one-way. Administration representatives come up and tell us what they want, but they have not really listened to us."

"Personally, Mr. Carter is a very easy guy to work with. He is a pleasant man, he has an incredible memory. But he seems to be too willing to be tied down with insignificant details. He is not keeping track of what those front-line generals we call cabinet secretaries are really doing."

"There needs to be consistent policy. Mr. Carter makes speeches that sound good, but what they say is not being followed by members of this administration. That is going to be the administration's downfall."

Rep. Robert H. Michel (R-Ill.),

House minority whip, describes his reaction to the Carter administration this way:

"I am worried about the administration's ability to get its act together. They seem to go from one thing to another, and nobody can predict what they will do. As soon as there is some criticism, they back off. There is no real leadership."

Rep. Michel adds that "the only business person who has benefited from Carter's administration is his brother, Billy."

Where is he going?

Rep. Frank Horton (R-N.Y.), who was chairman of the Commission on Federal Paperwork [see "Winning the War Against Paperwork," page 71], says he is disappointed by Mr. Carter's performance on "his commitment to reorganize the federal government to make it more effective, reduce personnel, and end this strangulation by regulation."

Sen. Malcolm Wallop (R-Wyo.), a freshman member of Congress who has been identified with the conservative wing of his party, observes: "I have never seen anybody with a less clear view of where he is going than the President."

"I hear things that make sense, but they disappear. Congress is at a loss as to what his overriding goals are."

"For the future of our country, I want Mr. Carter to succeed. So I try to find something to rejoice in, but I don't find anything."

Cold shoulder for friends

Rep. Les Aspin (D-Wis.), considered a member of the liberal wing of his party, says:

"Carter's biggest problem is trying to tackle so much in his first year in office while his staff is still, figuratively, trying to find the White House washroom."

"When it comes to Congress, the administration is stumbling in the dark."

"Members of Congress perceive that Carter and his people are spending more time with their enemies than with their friends. It is common lunchroom talk around the Hill that, if you want to get their ear, you have to kick them in the shins."

"On a number of occasions when a member of Congress has gone out on a limb to help the administration, the administration has sawed the limb off."

"Also, the administration makes no attempt to develop a constituency for



George Meany, head of the AFL-CIO, has criticized the President for not being pro-labor enough.

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Retired
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Meany

its programs. It should nurture its natural supporters. When it is working on welfare-reform legislation, for example, it should seek out senators and representatives who are already sympathetic to the Carter approach and make sure they are up on all developments. Then, when the opposition strikes, there is a core of people ready to respond."

Response from White House

Press Secretary Powell makes this comment about criticism that the administration has become bogged down by setting too many goals and unrealistic deadlines:

"My response is to ask for suggestions on what issues we should have neglected. If you go down the list of these major foreign and domestic problems, it is hard to see what we could have justifiably done nothing about."

"For many years the Middle East situation has not only produced local wars, but has threatened to touch off a new world war. We have a situation in South Africa that could be headed toward civil war and race war, with grave implications for this country in



President Carter gets advice on the paperwork burden and energy from officials of the Chamber of Commerce of the United States. From left: Chairman William K. Eastham, President Richard L. Lesher, and Executive Committee Chairman Herbert S. Richey.



NATION'S BUSINESS Monthly Editor Robert T. Gray (left) and Carl Grant, National Chamber vice president for communications, get thoughts of White House Press Secretary Powell, one of the President's close advisers.

terms of access to raw materials and of our ability to have any effective foreign policy on the African continent south of the Sahara.

"At home we have such issues as energy, tax reform, and welfare reform.

"If you accept the premise that dealing with some of these problems is bound to cause a period of uncertainty and a degree of unpleasantness, there is something to be said for getting moving on a lot of them as soon as possible.

"It takes a long time to get these things done. If you have any hope of achieving something, rather than just making a superficial effort, you have to get started early."

Charles L. Schultze, chairman of the Council of Economic Advisers, says Mr. Carter has made substantial progress in dealing with "a number of tough problems, politically difficult things like energy and Social Security."

As a result, Mr. Schultze says, the President will be in a much better position to concentrate on economic policy this year, particularly his long-awaited proposals for changes in the tax law.

We have learned a lot

Another member of the Carter inner circle, Acting Director James T. McIntyre, Jr., of the Office of Management and Budget, is very upbeat on the administration's first year.

"Overall, things have gone well for the President," he told a NATION'S BUSINESS interviewer. "I think the administration has done a good job and is getting better every day. We have learned a lot."

From the business community's viewpoint, the question of whether the administration performance is in fact getting better every day will become apparent in initiatives, such as tax-revision proposals, due in this new year.

In responding to the NATION'S BUSINESS survey among business leaders, John M. Bratten, president of Ames & Webb, Inc., a Norfolk, Va., road construction firm, pays Mr. Carter a compliment of sorts: "He told the truth while campaigning. He does not know anything about Washington."

Mr. Bratten and other executives will be watching the second year of the Carter administration closely to determine how much the President has learned, not only about Washington, but about the need to have a strong private sector. □

Big Test for the White House This Year

JIMMY CARTER will find his second year in office a highly political one, although the next presidential election is still a long way off.

November's congressional elections are expected to be fought largely on the Carter administration's record, with the results viewed as a gauge of the President's standing with voters.

Mr. Carter plans to participate personally in the campaigning by appearing at major fund-raising events, speaking out in other forums, and lending support to individual candidates.

Past is against Democrats

Major figures in the Republican campaigning will probably include former President Gerald Ford; former Calif. Gov. Ronald Reagan; Senate Minority Leader Howard Baker, of Tennessee; and John Connally, former Texas governor who has also been Secretary of the Treasury and Secretary of the Navy. All can be considered possible opponents to Mr. Carter in the 1980 presidential election.

President Carter's programs are going to loom large in the campaigning of Democrats in the 1978 congressional elections, says Kenneth M. Curtis, former Maine governor who has been heading the Democratic National Committee.

Not only the Republicans, but political tradition will be working against the Democrats in the congressional elections. The party holding the White House has lost seats in all but two of the 25 off-year elections of the past century.

Thus, as leaders of both parties step up preparations for this year's congressional races, all agree that the question is not whether the Democrats will lose seats, but how many.

On the other hand, there is no serious speculation in Washington that Republicans can ride the off-year election tradition into control of the Congress. Democrats now control the legislative branch of government by top-heavy margins—289 to 146 in the House and 62 to 38 in the Senate.

House is major barometer

In the past century the party holding the White House has lost an average of 41.5 seats in years in which there was no presidential election. Since World War II the average loss has been 32.6.

*Return
1-18-78
Baker*

While there have been similar trends in the Senate, the House is generally considered the major barometer for measuring political change because all its members must stand for election every two years. Only one third of the seats in the Senate are filled every two years, and party swings there are much smaller.

Generally, off-year congressional balloting is scrutinized for clues to public sentiment toward the occupant of the White House at the midpoint of his term.

Public perception of the elections as a vote of confidence or no confidence in the Carter administration will be sharpened by the President's plans to take a hand personally in the congressional campaigning.

"President Carter has indicated that he wants to be very active," outgoing Democratic National Chairman Kenneth M. Curtis told NATION'S BUSINESS. "That will include appearances by himself and members of his family. The Vice President also expects to be deeply involved.

"The President is the leader of our party, and we expect that an overall campaign theme will develop around his programs, although, of course, local issues will be contested in nearly all the races."

What Republicans will say

Mr. Curtis, who is leaving Washington to return to his home in Maine, says he anticipates Republicans will "conduct a negative type of campaign based on accusations against the administration, rather than take a positive approach based on offering constructive alternatives."

He also says he expects a strong Republican drive designed to "split the traditional Democratic coalition" that has included—with some overlapping and some defections in various periods—labor, blacks, a number of ethnic groups, Southerners, parts of the academic community, and lower-income families.

Republicans, on the other hand, say they are planning a campaign that will offer clear-cut, positive alternatives to the policies of President Carter and the Democratic majorities in Congress.

Rep. Guy Vander Jagt (R-Mich.), chairman of the National Republican Congressional Committee, predicts the campaign will center on "the basic Democratic approach under which government takes an increasingly larger share of the gross national product and intrudes more and more into decisions



that individuals should be allowed to make for themselves.

"This issue will be in much sharper focus in the 1978 elections, because both the presidency and the congressional majorities are held by Democrats and responsibility will not be diffused as it has been in the recent past, when we frequently had a Republican President and a Democratic-controlled Congress."

No change?

While voters had been led to expect a diminution of government under a Carter administration, the President is supporting proposals for massive energy taxes, sharp increases in Social Security taxes, and more costly welfare programs, Mr. Vander Jagt says.

"The people who voted for Carter because they wanted a change are discovering they are getting not only more of the same kind of government, but more of that kind of government than ever before," he says.

Rep. Vander Jagt says the G. O. P. will be trying to get across the message that "the only way to change Washington is to change the party that controls Congress."

Sen. Robert Packwood (R-Oregon), chairman of the National Republican Senatorial Committee, says the challenge facing his party is to show that "Republicans have a better way."

The general state of the economy will be one of the key issues of the 1978 campaign, Sen. Packwood says, and he expects many G. O. P. candidates will be pressing the theme that Democrats are relying too much on government intervention and not enough on the ability of private enterprise.

Both Sen. Packwood and Rep. Vander Jagt express hope that the Republican Party will not allow inter-

nal differences over the Panama Canal treaties to interfere with the main goal of gaining seats in Congress.

"The canal could be a very divisive issue, but it is also a transitory issue, not one of those on which the Republican Party can build a future," Sen. Packwood says.

While there is also strong disagreement among Democrats about the canal treaties, it has been muted because President Carter, the party leader, is the principal supporter of the pacts.

The Democrats nevertheless have other concerns. White House Press Secretary Jody Powell says the big challenge is to minimize losses in the crucial contests for House seats.

"In off-year elections," Mr. Powell told *NATION'S BUSINESS*, "the White House has always lost ground—something like 30 or 40 seats. We will do our best to beat that historic drop, and I'm sure the President will be involved in the effort."

Just what form Mr. Carter's participation will take and how much time he can allot to political activity remains to be seen, the press secretary says.

Embarrassment of riches

Democrats see one of their party's problems as an embarrassment of riches. The two-to-one majority that they now hold in the House means twice as many Democratic seats will be contested as Republican seats, with much more potential for losing ground.

At the same time those numbers are considered a virtual guarantee of continued Democratic domination of the Congress.

Republicans would have to win 144 seats to take control. Historically, the largest single turnover was 113 seats in 1894, when the total membership of the House was 356, compared with the



Oregon's Sen. Robert Packwood, who heads the Senate G. O. P. campaign committee, is focusing on the economy.

present 435. An equivalent percentage change in the present Congress would be 139 seats, which would still leave the Republicans short of a majority.

The record 1894 turnover came in the middle of a Grover Cleveland administration blamed by voters for an economic recession, labor unrest, and a move to impose a personal income tax.

In the Senate, a total of 33 seats will be up for election this year—17 won by Republicans and 16 by Democrats in 1972. The biggest shift of Senate seats in modern times was the Republican loss of 13 in the 1958 off-year elections during the second term of President Eisenhower, who was plagued by an economic downturn toward the end of his presidency. Republicans lost 30 House seats that same year.

Two victories by Roosevelts

The only two off-years in which the party holding the White House has gained House seats in the past century were in 1902 and 1934.

Both involved Presidents named Roosevelt. The 1902 election came the year after Vice President Theodore Roosevelt, the hero of San Juan Hill, had succeeded the assassinated William McKinley. In 1934 Franklin D. Roosevelt was still riding a wave of popularity generated by his early New Deal initiatives.

While the off-year tide has otherwise run against the party of the White House incumbent, Democratic Chairman Curtis says he does not "honestly believe we are going to lose any great number of seats" in November.

Rep. Vander Jagt has a different perspective. He notes that 60 Democratic members of the House won their 1976 races by less than five percent of the total vote—20 of them by less than two percent. They will be particularly vulnerable this year, he says.

Republicans will make "the basic Democratic approach" to government a central theme in the congressional races, according to Rep. Guy Vander Jagt. The Michigan congressman heads the National Republican Congressional Committee.



BUSINESS CONFIDENCE SURVEY FOR 1978

Climate for Profits: Less Favorable

By Jack Carlson and Jay Schmiedeskamp

A poll by Gallup and the National Chamber shows most people who run companies hold a low opinion of government economic policies

Report Card Federal Government Economic Policy

	"Good Job"	"Only a Fair Job"	"A Poor Job"
Small Business Executives	2%	42%	56%
Large Business Executives	1%	38%	61%
Consumers With Incomes Above \$20,000	11%	68%	21%

THE MEN AND WOMEN who run American companies as chief executive officers believe the climate in which to conduct their business is growing less favorable, and a chief reason is a lack of confidence that the government will do a good job of managing the economy.

Attitude of a cross section

This is a major conclusion in a business confidence survey conducted by the Chamber of Commerce of the United States and the Gallup Organization.

The survey was initiated to measure

the attitude of a cross section of chief executive officers for use in improving public policies and economic forecasts.

More than three fourths of those responding say the climate is becoming less favorable "in regard to the ability of their company to carry on its business and make a profit." And more than half say they expect the government to do a "poor job" during the next year or two in its "economic policies to fight inflation and unemployment." Only two percent expect the government to do a "good job."

Questionnaires were sent to 2,000

chief executives, and 59 percent, or 1,174, responded.

The answers show a broad range of feeling on a variety of economic questions.

They also reveal skepticism, with many of the executives believing wage-price controls likely within the next two years, despite strong administration and congressional denials of any plans to impose them.

Measures of business confidence expressed in the National Chamber-Gallup survey are based on responses to a lengthy, confidential questionnaire.

Business leaders who responded represent all sizes and types of companies and industries from every section of the country.

Pessimism about policies

The low level of confidence of the chief executives in the government's economic policies is reflected in every type of industry. At least two fifths in each classification expect a "poor job."

Businessmen are substantially less optimistic in this respect than a sample of upper-income consumers. In a recent Gallup survey of consumer attitudes, only 21 percent of consumers with annual incomes above \$20,000 expected the government to do a "poor job" in its economic policies, while 11 percent expected a "good job."

A second reason for unfavorable evaluations of the current business climate is found in the nearly unanimous 95 percent of respondents who say that the regulations and requirements of the federal government now take up more of their time and their company's money than two years ago. Fully 72 percent say, "much more."

A majority of the chief executives believe that government regulations will cause their companies serious problems during the next few years. They were specifically asked about "government environmental regulations," which 61 percent of the respondents say will cause serious problems, and about "government health and safety regulations for employees," which 56 percent say will cause serious problems.

Alphabet agencies scored

A catchall category, miscellaneous "other government regulations," drew the largest proportion of predictions that regulations will cause serious problems—84 percent. Fully 37 percent say these other regulations will cause "very serious" problems for their companies.

In response to a question asking if

there are any federal government regulations or requirements which might make it especially difficult to do business and make a profit during the next few years, many less well-known federal regulatory agencies and departments are identified along with better-known ones. Included are EEOC, FDA, BLM, USFS, USGS, USDA, IRS, ICC, NLRB, DOT, DOL, HUD, FHLB, and USCG. The alphabet agencies are placing the great majority of American businessmen in the soup.

Taxes are most frequently identified as causing very serious problems. "High or rising payroll taxes" are listed by 79 percent and "high or rising federal taxes" by 61 percent. Executives of small businesses express serious concern about taxes with greater frequency than do executives of larger companies. This attitude undoubtedly reflects deep-seated concern with increases in Social Security and energy taxes pending before Congress.

"High or rising state and local taxes" are cited as creating serious problems for 66 percent of the respondents.

Seventy-two percent say "high and rising prices for energy" will cause serious problems, and fears about "availability of energy and fuel" are expressed by 53 percent.

The government's new energy policy, which was pending before Congress at the time of the survey, is expected by 93 percent of respondents to result in some increase in energy costs to their companies. Fifty-one percent think the increase will be substantial.

Only 12 percent think the new energy policy will decrease U.S. reliance on oil imported from abroad, while a clear majority (54 percent) think it will increase our reliance on foreign oil. This feeling is strong in the Southwest, a heavy producer of oil and gas.

Minimum wage a problem

The minimum wage is identified as a serious problem for their companies by one third of respondents. Executives of small businesses, particularly in the South and Southwest, express the greatest proportion of concern.

When asked about labor and wage negotiations during the next few years, more than one third of all respondents expect greater difficulties than during the past two years. A larger proportion of small business executives located in the sunbelt—South, Southwest, and West—expect greater difficulties.

In spite of congressional and presidential statements denying plans to introduce wage and price controls na-

tionwide, more than one fourth of large business executives and more than two fifths of small business executives believe that controls are at least somewhat likely during the next year or two. The proportion is smaller in the East than elsewhere in the nation.

While 42 percent of the respondents expect that "high or rising interest rates" will cause a serious problem for their companies during the next few years, relatively few say that it will be a very serious problem, and only 16 percent feel "availability of credit" will be a serious problem.

However, 34 percent say they think it is easier to gain a bank's approval for a loan now than it will be six months from now. Only three percent hold the view that gaining approval will become easier. The other 63 percent say that it is as easy now as it will be later, or that they see no problem at all either time.

Fully 82 percent expect the interest rate their firms have to pay will rise during the next 12 months, while only four percent expect rates to fall. How-

ever, most chief executives (73 percent) expect rates to "go up somewhat," while only nine percent expect rates to "go up substantially."

Several executives, reflecting a preference for liquidity, say they would "probably obtain a better return" by investing any substantial amount of extra money they have in savings accounts, government notes, etc., than in industries in which they already do business.

Expect recession by 1979

In spite of worries about an unfavorable business climate and other concerns, the poll's sample of business executives assigns a median probability of only 15 percent to a recession within 12 months. However, the median probability rises to 50 percent for a recession within two years. Among small business executives with less than 500 employees, the median estimates are slightly higher within 12 months—namely, 16 percent—and somewhat lower within two years—namely, 40 percent.

Relatively few businessmen expect

Problems of American Business 1978 and 1979

	Serious		Very Serious	Total
	47%	37%	84%	
Miscellaneous Government Regulations				
High or Rising Payroll Taxes	57%	22%	79%	
High or Rising Prices for Energy and Fuel	48%	24%	72%	
High or Rising State and Local Taxes	49%	17%	66%	
Government Environmental Regulations	33%	28%	61%	
High or Rising Federal Taxes	45%	16%	61%	
Government Health and Safety Regulations for Employees	42%	14%	56%	
Availability of Energy and Fuel	36%	17%	53%	
Minimum Wage Laws	24%	12%	36%	

Exports and Imports

	Increase	Same	Decrease
Exports	39%	46%	15%
Imports	34%	64%	2%

Four-Year Sales and Profits Outlook

	Increase	Same	Decrease
Sales	84%	12%	4%
Profits Before Taxes	53%	25%	22%

Sources of Funds

	Good Time	Neither	Bad Time
Bank Borrowing	24%	63%	13%
Bonds/Notes	28%	49%	23%
Stocks	6%	26%	68%

to increase the level of their inventories during the months ahead. Among those respondents with inventories, only eight percent expect to increase them, and 19 percent expect to reduce them.

Attitudes toward replacing tools and equipment are rather favorable, with 25 percent of respondents saying now is a "good time" to do this, while only eight percent say it is a "bad time." The remaining respondents take a neutral stance. The attitudes are more favorable among small business than large.

Longer-life investment in buildings and plant capacity is another matter. Twenty-two percent say now is a "good time" to invest, but 26 percent say it is a "bad time."

More imports competition

Relatively few respondents say now is a good time for their companies to raise additional equity capital by issuing stocks. Twenty-eight percent think it is timely to raise capital by issuing bonds or notes. Twenty-four percent say now is a good time to increase bank borrowing to fill short-term cash needs.

Among firms that export, 39 percent expect their export sales to increase during the next 12 months, while 15 percent expect a decrease.

However, 34 percent of affected firms expect a significant increase in direct competition from imports while only two percent of the firms expect a significant decrease.

Ninety-one percent of the executives expressing an opinion anticipate either "no significant effect or a positive effect" from foreign investment in the United States.

Roughly the same proportions of business executives are optimistic about general economic conditions over the next five years as are pessimistic. Those who expect good times account for 31 percent of the respondents, and those expecting mostly bad times and problems with recession and

The Impact of Government Regulations and Requirements Today on Employees' Time and Companies' Money Compared to Two Years Ago

	Much More	Somewhat More	About the Same	Somewhat Less	Much Less
Small Business	63%	31%	6%	0	0
Large Business	77%	18%	5%	0	0

Labor and Wage Difficulties

	More	Same	Less
Small Business	53%	43%	4%
Large Business	34%	64%	2%

Inventories

	Increase	Same	Decrease
Small Business	11%	74%	15%
Large Business	6%	70%	24%

Tools and Equipment Investment

	Good Time	Neither	Bad Time
Small Business	31%	62%	7%
Large Business	20%	72%	8%

Building and Plant Capacity Investment

	Good Time	Neither	Bad Time
Small Business	28%	49%	23%
Large Business	19%	53%	28%

Five-Year Economic Outlook

	Good	Neither	Bad
Small Business	35%	41%	24%
Large Business	28%	43%	29%
Consumers With Incomes Above \$20,000	24%	27%	49%

high unemployment account for 28 percent.

Businessmen are somewhat more optimistic, however, than upper-income consumers. A recent Gallup sample of consumers with incomes above \$20,000 showed 24 percent expected mostly good times, and 49 percent expected mostly bad times.

The chief executives are generally optimistic about the outlook for their companies' sales during the next four years, as compared to the past 12 months. After adjusting for inflation, 84 percent expect an increase, while only four percent expect a decrease.

Expectations about before-tax profits are also optimistic, with 53 percent anticipating an increase and 22 percent expecting a decrease. Executives of smaller firms are somewhat less optimistic about both sales and profits. □

DR. CARLSON is vice president and chief economist of the Chamber of Commerce of the United States and Mr. Schmiedeskamp is vice president of the Gallup Organization and research director of the Gallup Economic Service.



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HOW YOU CAN USE HUMOR EFFECTIVELY

Jests Can Do Justice to Your Speeches

By John Costello

THE CROWD was restless.

Four thousand people were in Detroit's Cobo Hall, attending the 81st annual shareholders' meeting of the American Telephone and Telegraph Co.

The meeting had begun at 2 p.m. Now it was nearly six.

Most office workers had already fled downtown Detroit for home. Flight, too, was much on the minds of the stockholders. They had sat through a stormy session in which scores of abrasive questions were hurled at Frederick R. Kappel, who was then AT&T chairman and chief executive officer.

Putting down a heckler

One of his hecklers was Evelyn Y. Davis, a self-anointed conscience of corporate America. She had still another query.

She was less than fully satisfied, she indicated, with what corporations were doing in the way of good works.

"Mr. Chairman," she said into the microphone, "how much did AT&T give to charity?"

Mr. Kappel fished in his pocket for the statistics, pulled them out, then answered:

"Ten million dollars last year."

"I think I'm going to faint," his inquisitor replied, in mock surprise.

"That would be very helpful," Mr. Kappel said gently.

His quick quip drew a roar of laughter and an appreciative round of applause. In short order he was able to bring the meeting to an upbeat close.

The AT&T executive was using a skill that is of growing importance to businessmen, says Robert Orben, formerly chief speech writer for President Gerald Ford. That skill is humor.



Robert Orben, who began by writing humor for professional entertainers like Red Skelton, now spends most of his time showing businessmen how to be witty when speaking in public.

Mr. Orben is editor of "Orben's Current Comedy," a humor service for public speakers, published by the Comedy Center, Inc., in Wilmington, Del. The author of more than 40 books on humor, he began his career as a comedy writer for entertainers including Dick Gregory, Red Buttons, Jack Paar, and Red Skelton. Now most of his clients are businessmen who want to be better public speakers.

Dullness is passé

The reasons for his business patronage aren't hard to find, he believes.

"Among an executive's skills," he says, "public speaking is vital. Business leaders often have to appear at public forums and speak at business meetings."

"For years public speakers could get away with dull speeches. That was considered par for the course."

"Then, in the 1960's, television started to dominate the entertainment scene."

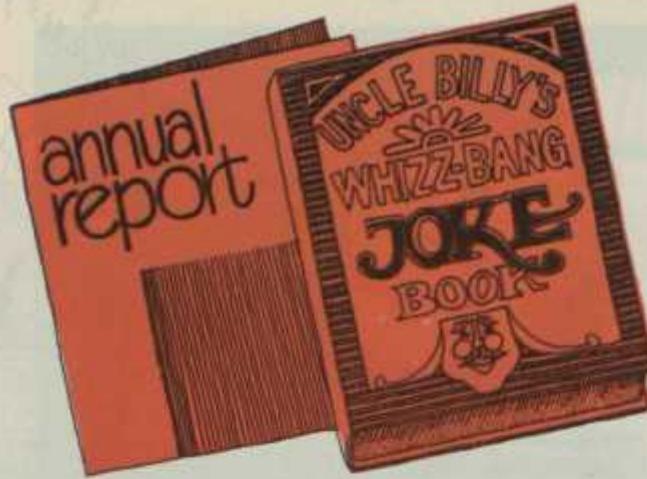
"More and more people were exposed almost daily to the sophistication of top show-business personalities. The public began to see how the professionals comported themselves on talk shows and in interviews, as well as in regular performances on stage."

"When that happened, standards changed. People began to expect more of a speaker."

"So when an audience heard the president of XYZ Corp. start off a speech with a tired joke, told badly, they no longer accepted that. The president soon concluded that, if he wanted to be successful with an audience, he had better get better—and come up with better material."

To a speaker, the correct use of humor is invaluable, Mr. Orben says.

"Humor," he explains, "can drive home a point, illus-



trate a problem, humanize the speaker and the company he represents, build rapport with others, win over an audience, or defuse a tense situation.

"Mr. Kappel's quip is a perfect example of the latter."

Disarming an audience

Logan M. Cheek, Xerox Corp. executive who is a well-known advocate of zero-base budgeting and author of "Zero-Base Budgeting Comes of Age," discussed that management tool recently in Washington.

Many in his audience were federal officials. Few were unworried about what the budgeting technique, touted as a way to make government more efficient, might mean to them.

Mr. Cheek told his audience he was reminded of something that happened at Xerox Corp.

"Several years ago," he said, "the company sponsored a TV special called 'Of Black America.' This was an attempt

to review the origins of racial discrimination in this country, going back 300 years.

"The critics raved about the show, and it picked up several Emmy awards. But, lo and behold, we weren't without our share of hate mail.

"One example arrived at the office of Xerox's chairman about two weeks after the show. It was addressed to Mr. C. Peter McCullough, whose name was misspelled, at Xerox Corp., spelled with a 'Z,' in Stamford, Conn. Stamford was spelled with an 'n.'

"The letter went something like this:

Your recent television special, 'Of Black America,' was a travesty against every natural law of God and man. Therefore, effective immediately, please cancel my Xerox machine.

*Very truly yours,
Robert Shelton
Imperial Wizard
Knights of the Ku Klux Klan*

P. S. I won't buy any more of your damn antifreeze, either.

"Mr. Shelton's misperception of what Xerox is all about was matched, I believe, by local misconceptions of this strange thing, zero-base budgeting, when it was introduced in Washington.

"ZBB was seen as a way to cut the budget and trim the bureaucracy. Instead, it is really a way to come up with innovative, alternative ways—that are more productive—of running the operation."

The Washington audience saw zero-base budgeting and the speaker in a warmer, friendlier light.

"That's a good way to start a speech," Mr. Orben says. "With a story."



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audience already turned off by the speaker's actions. What you do onstage—and the speaker is always onstage—is part of the image you convey to your audience."

How to build a story

Suppose your manner has presented you as Mr. Nice Guy. How do you tell a story that clinches the impression?

"You must build up a successful, funny story," Mr. Orben says.

"A speaker has to lead his listeners on until, suddenly, a

Mr. Orben advises businessmen to build a vocabulary of one-liners and short, funny stories for use when appropriate.

"To do that," he says, "spend a few minutes a day going through good sources of humor—books or comedy letters—and mark off material that makes you laugh."

"Don't stay at it very long, because humor quickly reaches the point of satiety. Do it two or three times a day, five minutes or more at a time."

"Soon you'll build up a good mental file of material that

PITFALLS TO AVOID

There are don'ts as well as do's for successfully using humor in public speaking. Robert Orben warns. He cites some common pitfalls.

- Avoid humor when speaking out-of-doors.

Even a very funny movie, playing to an almost empty house, won't get many laughs. Playing to a packed house, it will.

The out-of-doors is something like the almost empty theater. The audience is spread out and often distracted. In that setting, even big laughs sound feeble. They won't catch on and run through the crowd.

- Shun puns.

It is a temptation to think of puns as performable humor. In most cases, they are not. By the very nature of its construction, a pun has the speaker saying: "Look how smart I am."

That is a challenge to your listeners. You don't want to challenge them. What you want is to have fun together with them.

On some television shows writers have not been allowed to use a pun unless they have a tremendous "saver." That is a one-liner which has fun with your audience's reaction—almost invariably a groan.

Audiences are conditioned to groan at the cleverest of puns.

So your saver might be: "I just threw that in. I should have thrown it out."

How many times have you heard someone like Johnny Carson use that type of saver?

- Don't step on your lines.

Storytellers who lack confidence are prone to this mistake. They don't have the courage to wait out a laugh. They pause for a split second. Then, if the audience doesn't instantly react, they plunge ahead.

They step on their lines.

So you have to stop, smile, and wait after telling your funny story.

If you are scared, the time between telling a story and hearing the audience react seems like an eternity. But crowding a laugh is the surest way to ruin humor.

- Don't be afraid to lay an egg.

Inevitably, sometimes a joke will die on you. If so, don't just squirm a little and go on as if nothing happened.

It is good technique to acknowledge the fact that your story bombed.

Every professional, every monologist in show business, has a dozen savers memorized to cover a situation like that. Build up a collection of your own. It will take the terror out of storytelling.

Also, Mr. Orben cautions, never speak at length if you are at the end of a long program.

Make a quick exit, he advises. Say something like: "I've been up here so long, the spotlight has faded my suit."

And then: "Now I'll race you to the door."

trapdoor opens and their mental processes drop right through the floor—in another direction. That's the essence of humor.

"There's a classic example from my book, 'The Encyclopedia of One-Liner Comedy,' that illustrates this technique. It goes something like this:

"Three people are sitting around trying to define fame.

"One says: 'Fame is being invited to the White House for a talk with the President.'

"The second says: 'No. Fame is being invited to the White House for a talk with the President, and the hot line rings and interrupts your conversation, but he doesn't answer it.'

"The third says, 'You're both wrong. Fame is being invited to the White House for a talk with the President, and the hot line rings. The President answers it, listens for a moment, and then says: 'Here, it's for you.'

"This illustrates what I call the rule of three. One remark tops another, until you reach the climax that triggers the laugh."

you can draw on at the right time. Professionals do the same thing. Some are certainly great ad-libbers, but others are not. However, all have an almost encyclopedic mind for humor.

"While you're doing this, you'll also start to absorb, almost by osmosis, the construction of jokes."

Foreseeing the predictable

What store of humor should a speaker try to acquire?

"There are some situations that will happen time after time," says Mr. Orben.

"For example, the lights will go out. There are a lot of funny one-liners that fit that situation. Like: 'Please, Con Ed, the check is in the mail.'

"During any speech some people may walk out.

"A speaker ignores things like this—the blackout, the walkout—at his risk. If he does, he is one down in the eyes of his audience. He gives the impression that he's not able to cope.

"Moreover, he can turn situations like this to his advan-

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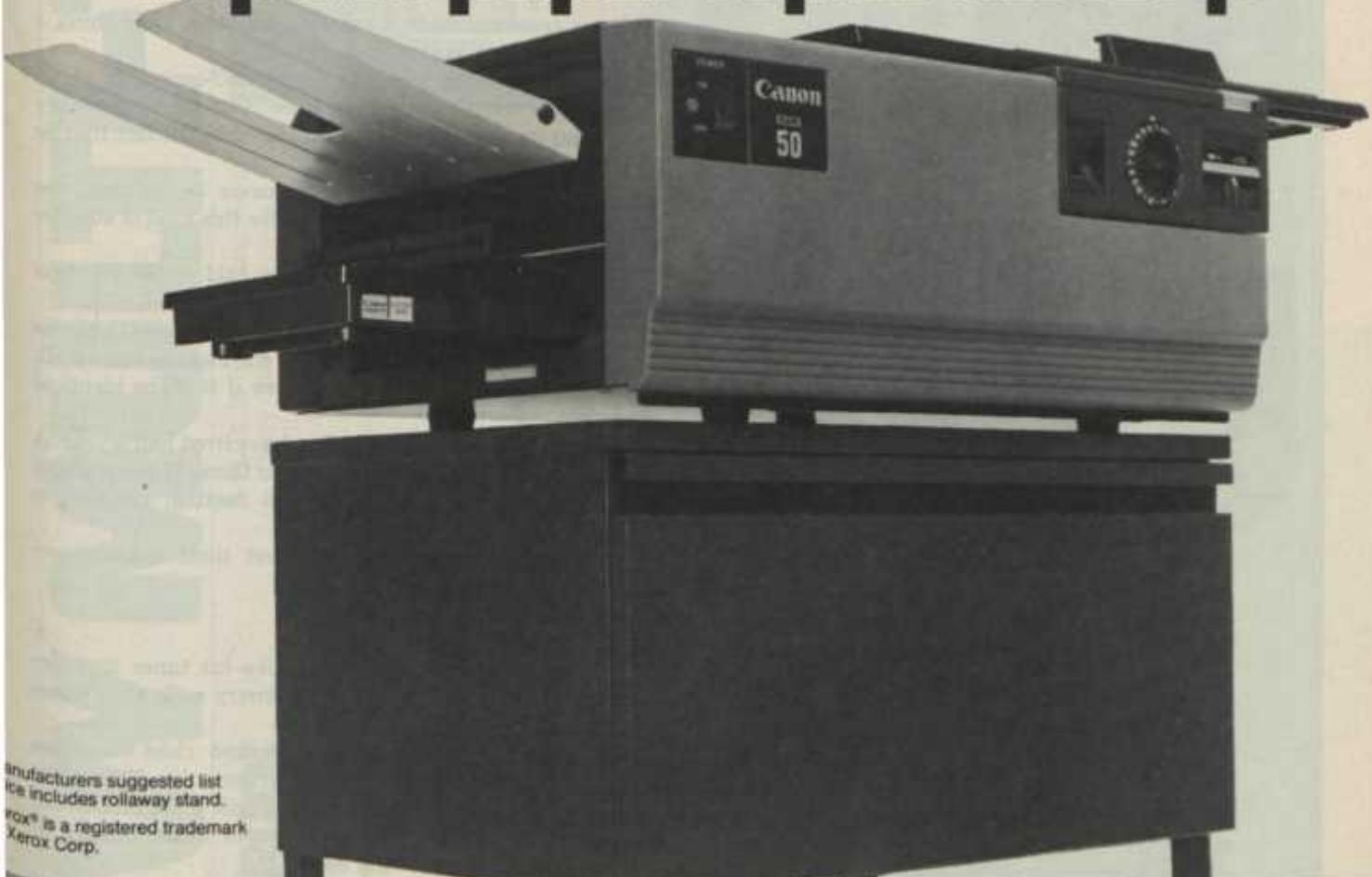
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British Prime Minister James Callaghan stated the problems of reducing unemployment this way, in remarks to the British Labor Party:

"We must ask ourselves unflinchingly, what is the cause of high unemployment? . . . We used to think you could just spend your way out of a recession, and increase employment by cutting taxes and boosting government spending. I tell you in all candor that that option no longer exists, and that insofar as it ever did exist, it worked by injecting inflation into the economy. And each time that happened the average level of unemployment has risen. Higher inflation, followed by higher unemployment. That is the history of the last 20 years."

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tage and get a laugh with a one-liner. Like using the classic line: 'I never worry when an audience walks out on me. I only worry when they walk toward me.'

Timeless topics

Some topics are timeless.

Two hundred years ago, at Monticello, Thomas Jefferson said: "Were we directed from Washington when to sow and when to reap, we should soon want for bread."

A few months ago, in Hawaii, William I. Spencer, president of Citicorp, said:

"I can think of no more appropriate place to argue for the development of new forms of energy than the beautiful state of Hawaii."

"After all, if it were not for geothermal energy, in the form of volcanoes, this entire state would still be resting quietly 3,000 fathoms beneath the Pacific."

"But I can't resist speculating that, if government had been regulating geothermal energy when Hawaii was being created, my audience here today might be a curious whale, a tropical fish, and perhaps Jacques Cousteau."

Twice is not too much

Many speakers make a common mistake. They think a twice-told story is stale.

"Nonprofessionals are often very self-conscious about repeating a story," Mr. Orben says. "But if a funny story works, no speaker should be intimidated by the fact that he has used it many times."

"A professional performer will never be. In fact, the professional will give his right arm for this kind of surefire material. He will prize it."

"The only old joke I know of is one told by the previous speaker."

"Businessmen tend to remember that they used the same story at the hardware convention six months ago. Well, chances are the audience won't, even if it is the identical audience."

"Since they heard you last, they have lived half a year. A lot of water has gone over the dam for them. When you told that funny story, you were only a fleeting, two-minute interval in their busy existence."

"If an audience laughed the first time, chances are they'll laugh again."

An evergreen

Oft-used, successful stories are like hit tunes that are perennial favorites. The record industry calls such tunes evergreens.

Clifton C. Garvin, Jr., chairman and chief executive officer of Exxon Corp., has an evergreen story. He uses it, as he did last year before the Economic Club of Detroit, whenever his speech touches a lot of bases instead of focusing sharply on a single issue.

"My speech reminds me," he says, "and it may remind you, of a story about Marion Frankfurter, wife of the late Supreme Court Justice Felix Frankfurter."

"An admirer of the jurist said to Mrs. Frankfurter that he thought her husband was a fine speaker."

"'Yes,' Marion Frankfurter agreed, 'except for two things.'

"'One, he always wanders far away from his point.'

"'Two, he always works his way back to it.'"



To order reprints of this article,
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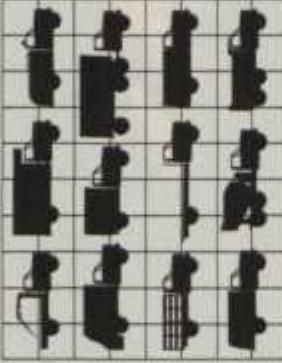
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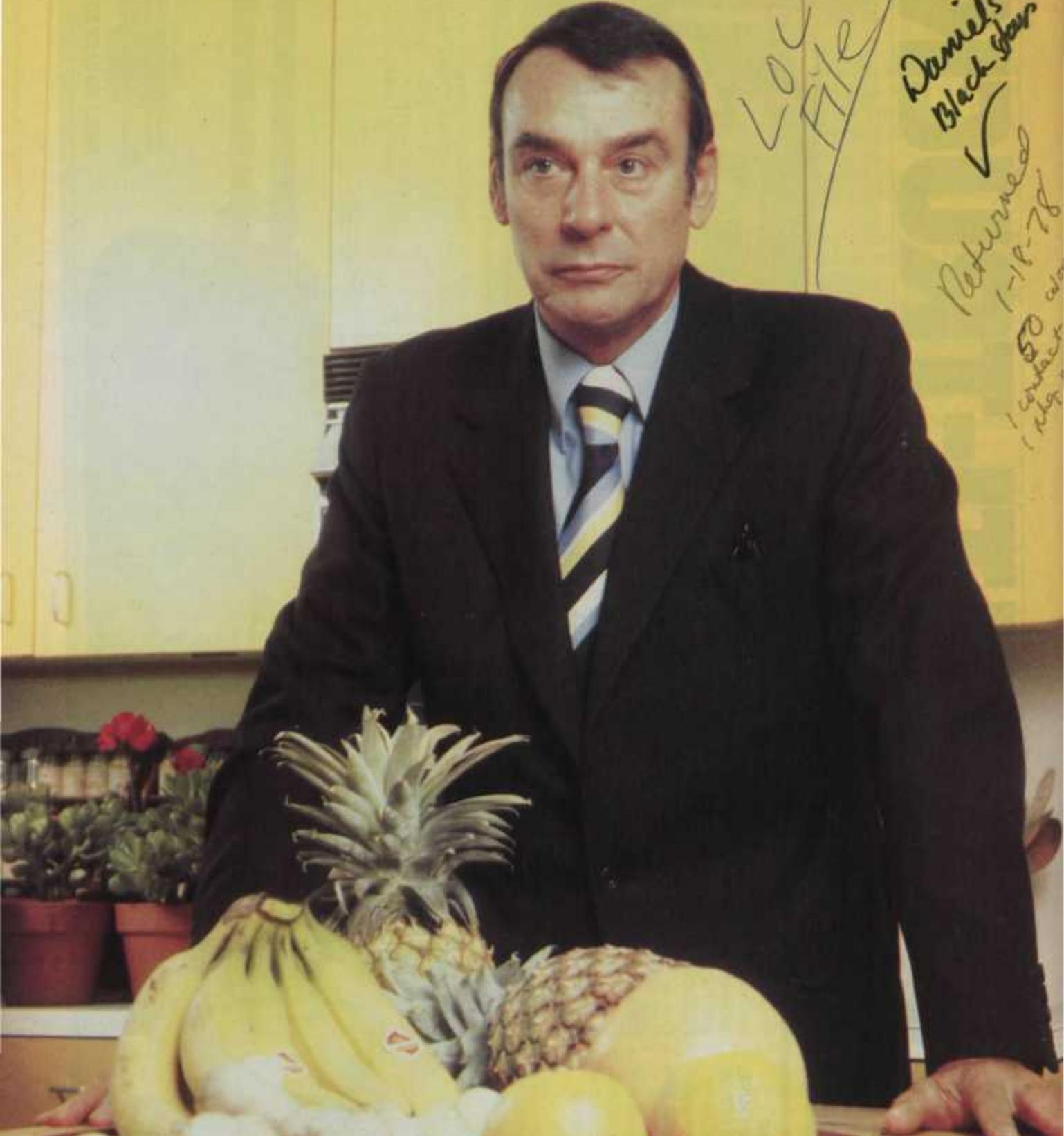
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Keeping a Venerable Company Up-to-Date

Under Donald J. Kirchhoff, managers at 126-year-old Castle & Cooke are shifted from division to division, providing what he calls a cross-pollination that works well

AT ONE POINT during World War II Navy service in the Pacific, Donald J. Kirchhoff ended up functioning as a commissary officer.

Was this experience the trigger that later propelled him from Harvard, with a mint-new, master-in-business-administration degree, into the business world of food?

"You've got to be kidding," says Mr. Kirchhoff in one of his two principal offices, this one high in a San Francisco financial district skyscraper (the other is in Hawaii).

"I went to work for a food-store chain, the Kroger Co., as an accountant because that was the best job I could get and I had a family to support."

But all of Mr. Kirchhoff's business career has been spent in facets of the food industry. He is now president and chief executive officer of Castle & Cooke, Inc., the 126-year-old Hawaiian-based food products company.

Turning point in career

If you had to choose a single event in his career as being a turning point, it would have to be one that was of the build-a-better-mousetrap variety.

In this instance, the mousetrap was the banana. What was developed was a disease-resistant variety and a new marketing concept: Box the bananas at the growing site, ship them that way to the ripening rooms, then on to the retailer in the same container.

This is the reason why you no longer

see those big stems of bananas being unloaded from ships at ports and why the bananas you buy in supermarkets are not bruised or discolored.

It is also why there now are fewer spoilage problems for banana shippers, with consequent favorable impact on profits.

Mr. Kirchhoff was manager of the Honduras division of Standard Fruit and Steamship Co. at the time the banana—an existing variety—was improved through implementation of Standard Fruit research suggestions, changing the way an industry markets. That was 11 years after he got that M. B. A. degree at Harvard in 1949.

Training discipline

A lot of M. B. A.'s are working for Castle & Cooke. Mr. Kirchhoff believes getting an M. B. A. is a good route to take for any young person who wants a business career.

"You don't have to have an M. B. A.," he says, "but if you get one, you will have received the training discipline you need in managing."

A good manager is a good manager, he believes, and it doesn't matter whether what is managed is the manufacturing of bolts or the growing and marketing of bananas.

He has instituted a sharp reversal of historic management practice at Castle & Cooke.

"It used to be that a manager might spend his whole career in pineapples,

for instance," says Mr. Kirchhoff. "Now we have pineapple people running operations in seafood, seafood people running operations in sugar, and so on. It gives you the cross-pollination you need so that you don't produce just experts in one segment of company business."

Castle & Cooke's world, as the company terms it, ranges over the mainland U. S., Europe, and from Hawaii to Latin America, from Alaska to the Philippines and Thailand.

From sugar to steel pipe

The company's products include bananas and fresh and processed pineapples, all under the Dole label; sugar; Bumble Bee-brand tuna and salmon; Dole and Shady Oak mushrooms; Alaska king and snow crab; lettuce; and canned vegetables.

Castle & Cooke owns and operates an eight-vessel refrigerated fleet; has real estate operations in California and Hawaii (where, with its plantations, it is the islands' fourth largest landowner, holding approximately 150,000 acres); and has a variety of subsidiaries.

The subsidiaries include a swimming pool equipment manufacturer, a steel pipe producer in Thailand, a rock-quarrying operation in Malaysia, and a heavy equipment distributorship and several small transportation-related subsidiaries in Hawaii.

Mr. Kirchhoff was president of Standard Fruit in 1964 when Castle &

Cooke acquired a majority interest in Standard.

He had joined Standard after three years at Kroger and three years as controller of another grocery chain, National Food Stores, of Michigan. He turned down a job with Standard in 1954, but two years later joined the company as manager of the operations analysis department. He was assistant to the president when he was made general manager of the Honduras division and given the assignment to turn the banana operation around.

He was elected executive vice president and a director of Castle & Cooke in 1970, president in 1973, and president and chief executive officer in 1975.

Home for Mr. Kirchhoff is a house in Hawaii, where he gardens and raises tropical fish. He and Mrs. Kirchhoff have three grown daughters.

Thrives on traveling

Mr. Kirchhoff, 52, spends about 60 percent of his time on the job traveling to various operations of Castle & Cooke. He divides the other 40 percent between the company's corporate headquarters in Honolulu and the foods division headquarters in San Francisco.

"I'm able to sleep in anything that moves," he says, so he doesn't mind the traveling. In fact, he thrives on it.

Is he a workaholic?

"No, but I enjoy my work. I always have."

An executive who believes in tight, centralized financial controls, Mr. Kirchhoff also feels that a business organization should enable decisions to be made at the lowest level possible.

Revenues on the rise

Castle & Cooke has paid a dividend every year since 1896, and it has shown a steady surge in revenues. In the period 1968-1976 they increased from \$341.7 million to \$850.3 million. Last year—the final figures are not yet in—revenues came close to \$1 billion.

The company was founded in 1851 by Samuel Northrup Castle and Amos Starr Cooke, two lay missionaries who came to Hawaii in 1837 with the seventh group of missionaries sent to the islands. When their mission board decided the missionaries had to become self-supporting, the two men started a general store.

Over the years C & C's history has been intertwined with that of Hawaii and its chief industries: sugar, pineapple, ships, and tourists.

While C & C began as a mercantile company, it now primarily is a food company which raises or buys from others the foods it sells. That, basically, is where Mr. Kirchhoff believes its future growth will come.

"We'll grow within our product line," he says. "With products we will either develop or acquire."

An executive who likes competition, Mr. Kirchhoff also believes that business must have a keen social responsibility.

In an interview with *NATION'S BUSINESS*, he talked about this, as well as about his career.

When you decided to box bananas, why did you settle on a weight of 40 pounds?

Tradition was the deciding factor. Bananas at that point were shipped on the stem. Then they went into ripening rooms, were picked off in bunches, and sent to the retailer in 40-pound boxes.

The concept of selling prepackaged bananas from the tropics was difficult enough for retailers to accept, so we decided the easiest way was to go along with what a retailer had been receiving. We ship other weights—15 kilos, for example, to Italy. In Japan, the magic number is 12 kilos. These are weights that retailers there had grown accustomed to receiving.

The big change was that you packed the bananas at the source, and they weren't unpacked until they actually reached the retail level.

How many different types of boxes did you try?

We tried returnable wooden boxes, plastic, almost every feasible type. The problem was having a container that would be conducive to the ripening process. It turned out the corrugated cardboard box was the answer.

Was there any compelling reason behind the push to box bananas?

You could say it was the survival of Standard Fruit.

The company did not control the same quantity of plantable lands as did its competitors. And the primary banana at that time was the Gros Michel. It was susceptible to Panama disease. The industry was a sort of migrant one. If the disease wiped out an area, you'd move on to another one.

Because of limited lands, Standard had to try to find a better banana, so to speak. We planted the Giant Cavendish, which is resistant to Panama



E. L. Del Beccaro, vice president of marketing services (left), checks an idea with Castle & Cooke's president.

Senior Castle & Cooke executives include (left to right) Leonard Marks, Jr., executive vice president-chief financial officer; Henry B. Clark, Jr., executive vice president; Robert S. Gordon, senior vice president; Mr. Kirchhoff; and Malcolm MacNaughton, chairman.

disease, but which has a thinner skin. When you shipped it on the stem, it was susceptible to bruising, and you ended having to sell it at a discount.

So we had solved the problem of growing a good, new banana. But we also had to solve the problem of getting it to the market in good shape. Now everybody is growing the Cavendish-type banana and shipping it in boxes.

The whole process was more difficult than it sounds.

Did you ever just blow up and get mad at the banana?

I don't think so. I don't think I'm the type who blows up when there is a problem to be faced.

Besides, when you are growing bananas, nothing is ever really settled. A



Mr. Kirchhoff likes to visit with company executives in their own offices.



PHOTOS: GENE DARBEL—BLACK STAR

windstorm might knock you out of business, for instance. The business makes you become adaptable to change. You have to have a modus operandi which enables you to make plans with an awful lot of options and to switch in a hurry.

In other words, flexibility is an asset?

Yes. I believe it is for any manager. I suspect that one of the problems government has is inflexibility in its bureaucracy. Inflexibility makes it difficult to cope.

Technology and a change in management style have both played important roles in your company's upsurge in recent years. Which is most important?

Technology is terribly important to our company, and the continued advancement of technology is our management style, in effect.

You have been termed a centrist, one who believes in tight centralized controls. Is that a fair description?

No, I wouldn't classify myself as a centrist. But I do believe in strong financial controls. We are so scattered around the world that, if you don't have tight control, some things will get out of whack somewhere, somehow.

We are centralized in terms of technology, in terms of research, in our environmental efforts. But we are pretty decentralized when it comes to management. We have six operating groups with complete staffs of their

own. They have full profit and loss responsibility, and they make decisions. But we at headquarters do exercise financial control.

You certainly did institute one major change in management for Castle & Cooke, didn't you?

Yes, we made a major change in that managers would no longer spend their entire career with just one division. It has worked very well.

What was the primary reason for changing managers from division to division?

I suppose it was the realization that we weren't realizing our full potential with personnel.

Since this was quite a change from a historic policy, did you ever fret about the decision once it was made?

I'm not a worrier, and I have a favorite saying, "It doesn't pay to look back." I don't try to rehash what has been done. I like an organization where the decisions can be made at the lowest level possible.

That's why I like the idea of tight controls and a fairly centralized staff. They give some assurance that you're going to get various types of views into a decision, although the decision itself can be made at a low level.

What is your basic business philosophy?

I guess my basic philosophy is that I want to leave the world better than it was when I entered it.

Some would say that's a "motherhood" answer.

No, it isn't a motherhood answer. I feel that very deeply. I'm very proud of some of Castle & Cooke's accomplishments around the world. I've seen the way we changed the landscape when we started some of our operations, and the way we changed the people. We provided education for kids, and we made little peasants entrepreneurs—successful people.

So you believe business has a social responsibility?

Yes, I do. Business has many responsibilities—to give the people who put up the capital as good a return as possible, to provide the best product it can—and certainly it has a social responsibility, too.

Where will your future growth come from? Acquisitions?

*Return of
Castle & Cooke*
1-17-78



Pineapples grown in Hawaii, Honduras, and the Philippines are one of the basic products of Castle & Cooke. A portable conveyor belt speeds the harvesting.



Plastic shrouds have protected growing bananas from insects and dirt. The cable line carries the big stems of fruit from the plantation to the packing shed.

We are a food company, and we will keep expanding in terms of product lines, not only by acquisition, but by internal development. We have had great success in developing the fresh pineapple market, and it hasn't hurt our processed pineapple product. We are experimenting with a number of products that we grow.

You know, there is a situation today where people are somewhat frightened by additives to foods, preservatives. I see the company growing in the area of natural foods—if you want to call them that—or just plain fresh produce.

Also, we will be expanding our seafood operations. For example, all of our crab is now sold in institutional channels and ends up in restaurants or with similar buyers.

Crab is still a relatively expensive item, and that makes it difficult to sell in the retail trade right now. But we are constantly looking at this situation. It could change in the future.

How were you affected by the squabble over the porpoise catch in the course of tuna fishing?

Our fleet was laid up for several months in the spring of 1977 as a result of it, so it hurt us to some extent profitwise. The dispute is now somewhat resolved, but it was really an unfortunate thing. We try to do the best we can to protect the porpoises.

Incidentally, the number of porpoises in the sea is increasing rapidly, despite the tuna fishing.

How do you view the relations of business with government?

I think business has a definite responsibility to point out the pitfalls of some government actions. Once you get a law, it's a law, and you're stuck with it, good, bad, or indifferent.

We certainly need to bring to bear all the knowledge, all the data, that we can possibly bring on any suggested government action.

I feel government has a shortsighted attitude toward the fundamental laws of economics. Too often, ideas turn into rules without much thought about what they are going to do to the goose that lays the golden egg, the economy.

Are you optimistic or pessimistic about business today?

Optimistic. I'm a competitor. If you're a competitor, you're always optimistic.



To order reprints of
this article, see page 56.

A New Era of Moderate Inflation Ahead?

By Ira Ross

Old-fashioned fiscal stimulation has proven ineffective, an economist says, leaving government with no choice but to try other ways of helping the economy

THE WORLD ECONOMY is in a state of transition, passing through a long wave of increasing inflation and moving toward a sustained period of moderating price rises.

Why do I say that? There are two central concepts underlying this viewpoint.

- The private sector has essentially run out of the liquidity to support additional inflationary economic expansion.

- Because inflation and recession have become more or less synonymous, attempts by central governments to stimulate their economies through expanded deficits result in anticipatory and roughly offsetting actions on the part of the private sector.

Old-fashioned fiscal stimulation no longer works, because both consumers and businessmen are rational: "We have figured out Washington's game, and we know what to expect," they say.

The only policy that can be successful in such an environment is one which departs meaningfully from past practice and is widely unanticipated.

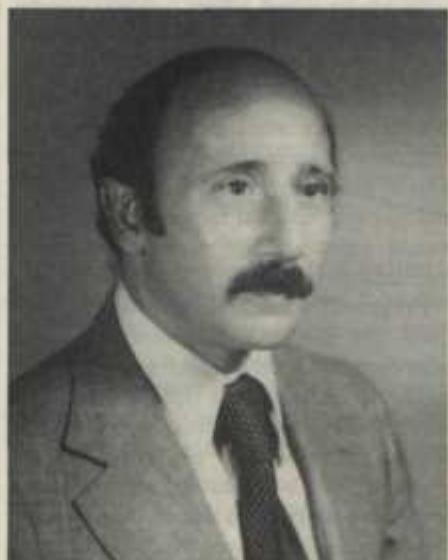
An emerging era

I believe the current short-term business cycle is a way station at the end of a dying era of cheap energy and of full employment policies based on fiscal stimulation of consumer spending. Emerging is an era in which the federal government, faced with no reasonable alternative, is shifting its emphasis. The new emphasis: stimulating

an ultimately noninflationary expansion of the private sector's capital base, especially as it relates to domestic energy output.

Forces far more profound than those routinely associated with the development of short-term business cycles have been in play. The legacy of the excesses committed during the 1960's and early 1970's has been an important influence on the course of the current expansion phase of the economy and will leave an imprint on the major trends of economic activity for several years to come.

One of these forces is a shift to conservatism. Activist government



Mr. Ross is senior vice president and chief economist for Anchor Corp., a large money-management firm.

policies intended to fashion a Great Society have worked in reverse, as dramatized by the 1973-75 experience.

Federal attempts to create more jobs and a higher standard of living for all Americans resulted only in rampant inflation and destruction of financial wealth. Subsequently they resulted in deep recession, record levels of unemployment, and a two-year slide in real incomes.

Individuals, nonfinancial corporations, financial institutions, and local governments were pushed perilously close to financial disaster. Resources once thought to be virtually limitless proved to be exhaustible and, worse, not entirely within our own control.

Given this, it is quite natural that our society has become more cautious. At the same time it is an understandable and probably necessary condition that equity and fixed-income markets be subject to prolonged periods of hesitancy and correction such as that experienced since late February of 1976.

Indeed, a fundamental and lasting restoration of financial health would not be well-served by an early return to speculative excess either in securities markets or in the general economy.

Commodity price deflation?

Another force is a change in the behavior of commodity prices. Chances are better than even that the March-April, 1977, peak in sensitive commodity price indices will prove to be a major long-term top.

Price indices of internationally traded items such as copper, tin, lead, zinc, wheat, sugar, coffee, cocoa, cotton, and wool remained remarkably stable during most of the 1960's. Commodity indices later rose like a rocket between mid-1972 and the spring of 1974. Then, under the impact of worldwide recession, commodity quotes declined until mid-1975. They subsequently rose irregularly to a new high level last spring. Since then prices have declined.

The momentum, or rate of advance, of the latest price increases was far more shallow than that which occurred from mid-1972 on.

In a word, the commodity price boom has been looking tired. Technicians argue that this type of "nonconfirmation" is a classic indication of a trend reversal. Based on fundamental considerations, I agree.

For one thing, the commodity inventory liquidation of the 1974-75 recession left intact a substantial overhang

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of speculatively acquired inventory both here and abroad. (The Japanese economy, heavily burdened with both raw-materials and finished-goods inventories, is a case in point.) It is doubtful that official sampling techniques have been able to detect this inventory position in its entirety. Should the world economic situation turn softer, as I believe it will, at least through the first half of 1978, some of this speculative hoard could well begin to come out of the woodwork.

Finally, the oft-mentioned possibility of another inflation-induced recession suggests that businessmen could be inclined to overreact to any slowdown and release inventory at lower-than-anticipated prices.

Allocation of shortages

Another force is public disenchantment with old policies which no longer work. In a talk last May, Walter B. Wriston, Citicorp's chairman, said that "political manipulation never creates wealth—it can only allocate shortages. Even so, the process can only fool people for a limited period of time."

A key element in my view of the transition economy speaks to just that point. Circumstances should push Washington in the direction of affirmative incentives to private capital formation, as energy measures and tax reform legislation take their final form. Again, a weaker economic environment and declining commodity prices should help propel the policy-making machinery in this direction.

Price ceilings only serve to create shortages at artificially determined price levels. The situation surrounding natural gas and the entire price-controls experiment offers classic examples of the futility of attempts to repeal the laws of supply and demand. The conservation-related aspects of President Carter's energy program which rest upon a series of tax gimmicks also would probably result in lower levels of total output and higher prices than would exist in the absence of such legislation.

Programs which ultimately emerge from the legislative process can be expected to place greater emphasis on production incentives than on the conservation aspects contained in the current proposals. After all, conservation is essentially a defeatist, negative approach to a problem which ought to be attacked with bold new initiatives.

This nation has proved itself capable of taking such initiatives many times in the past. □

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For instance, from 1968 to 1971 he got more than 3,000 lawyers, bankers, accountants, and Wall Street financiers together, individually and in groups, with about 3,000 black and Hispanic business owners who wanted to borrow money.

Today the top five banks in New York City lend minority businesses there a total of \$20 million to \$25 million a year. In 1968 the figure was below \$1 million.

Mr. Beard is founder and president of the National Development Council, a nonprofit organization which attacks urban business problems. The council, headquartered in New York, gets funds from corporations, foundations, and government agencies.

"We started with the thought that we could have an impact without trying to be everything to everybody," Mr. Beard says. "Essentially, I go after the best and most knowledgeable people and get them to do things I believe need doing."

Like helping minority banking. In the early 1970's there were 35 minority-owned banks with total deposits of \$405 million. Today there are 81 such banks

with deposits of more than \$1.6 billion.

"We didn't do it all," says Mr. Beard, who is a former cochairman of a presidential program to increase deposits in minority banks. "We started with the idea that it was good business for the nation's largest companies to put more money into minority banks.

"And we had letters from the White House supporting that idea. It snowballed."

Mr. Beard says that "if you want to attract large-scale resources to an important social objective like minority business, you do it not on a charity basis, but on a business-as-usual basis where both sides benefit."

He has put that philosophy to work in efforts to convince major corporations to buy goods and services from minority businesses and to help small firms obtain financing for expansion within cities.

"It's a one-on-one operation, between bank and business, between business and supplier," Mr. Beard says. "As soon as the mixture gets going, we drop out and let the business flourish on its own."

The council has a modest-sized staff and an annual budget of about \$400,000.

"You don't need expensive setups or spacious offices or research teams for this kind of thing," Mr. Beard says. "You just go out and do it. We don't even write reports. They always end up on a shelf. You can't put me on a shelf." *

A Future That Leaves Currency Behind

John J. Reynolds is in charge of more riches than Midas dreamed of. Those riches materialize from plastic, not gold. Mr. Reynolds is president and chief executive officer of New York-based Interbank Card Association, familiarly known as Master Charge.

Interbank is doing very well, indeed. Cardholders number more than 45 million, annual sales are above \$11 billion, the delinquency payment rate is down to 2.6 percent, and fraud is approaching nonexistence.

However, Mr. Reynolds is looking ahead to bigger things. Namely, to electronic funds transfer, which, thanks to the American penchant for initialing, is known as EFT. This is the genesis of a money system in a future world where there are no coins or currency, but only secret numbers unique to their owners, or voice patterns or thumbprints electronically geared to the individual.

"We're not quite there yet," Mr. Reynolds understates, "and there is no great consumer push for an all-electronic system yet. But EFT is economically feasible, and Signet, the check-guarantee system we have just launched, is the forerunner of total EFT."

A Signet number and a distinctive green square on Master Charge cards or bank cards will allow a person to cash or write a check at any bank, store, or other business that is in the Signet system. Once the system is fully operational, it

John J. Reynolds... always counting.



should eliminate those maddening delays while the clerk checks your financial history from the time you cracked your first piggy bank.

Mr. Reynolds, a member of the presidentially appointed National Commission on EFT, knows that many people depend on the float—those few days between writing a check and the actual deduction of funds from their accounts. "With EFT," he says, "those days become a few seconds. That is why there will always be two ways of paying for goods and services, credit and debit. One will not eliminate the other."

However, he adds, "we have to begin to reduce the amount of paper that is passing back and forth. Total EFT is really just around some future corner."

In the interim, Mr. Reynolds and Interbank hope to be transmuting the Signet system into success. *

Security Guards Are Given a New Image

Thomas W. Wathen's firm is having an identity problem. The company is called California Plant Protection, Inc., even though it operates in six states from coast to coast and doesn't limit its services to factories.

"It's a terrible name," says Mr. Wathen, who is conducting a contest among his employees to find something more descriptive. "It was okay when I bought the firm in 1964. We had 13 employees. Now we have 4,300 people in a variety of security jobs. We need a name that reflects modern security."

The firm, headquartered in Van Nuys, Calif., grossed \$27 million last year.

In addition to worrying about his company's image, Mr. Wathen is remaking the image of the security guard—who sometimes has been stereotyped as an oafish, belly-over-belt, unshaven, gun-toting character in stained and rumpled uniform who snoozes away on the graveyard shift.

"The ideal security officer does not need to leap tall buildings in a single bound or be faster than a speeding bullet," says Mr. Wathen. "But we are looking chiefly for two characteristics—reliability and an eye for detail."

Most of the firm's security officers—they are not called guards—are smartly dressed in blazers and slacks or skirts (about 15 percent of the work force are women). The officers are carefully cho-



Thomas W. Wathen... always on guard.

sen and specially trained in the art of protecting a company's assets.

"The endemic high turnover of personnel in this business is greatly responsible for its poor image," says Mr. Wathen, who has written a book on security operations. "Our screening process eliminates those types of personalities that have contributed to the old stereotype."

Although a few young people are hired, Mr. Wathen prefers retirees.

"The job is not boring," he says. "Let's call it placid. By its nature, security work is unchallenging, but it demands a high degree of responsibility." To a fair number of people, fulfilling that responsibility is more rewarding than being challenged."

Only about two percent of the officers carry a weapon. "If a client insists that the officers be armed," says Mr. Wathen, "I agree. But then I ask the client to indicate in the contract whom he wants the officers to shoot."

"I'm not antogun, but guns are for shooting, and we try to avoid that. Our job is prevention. We leave apprehension to the police." *

Listening Is Key to Success at Bobbie Brooks

Maurice Saltzman is a man of few words and a lot of listening.

He started listening at 16 when he went to work for a clothing company in Cleveland. He listened well enough to start his own sweater jobbing business at 21. And he never stopped listening as that business grew into Bobbie Brooks,

Inc., the world's largest manufacturer of women's sportswear under one label.

As president of Cleveland-based Bobbie Brooks, Mr. Saltzman, 59, is on the road a lot. "I can't understand company presidents who spend all their time at headquarters," he says. "How can they know what their customers are thinking? We're not in the business of dictating what our customers will buy. We're in business to supply what they want."

Mr. Saltzman does not dismiss the tested techniques of modern market research. "We probably have the best merchandising division in the industry," he says. "That's important, but that's not enough—not for us, not for any company that expects the American public to buy its products. A company president can be led down the garden path by a scientific survey that seems reasonable on the surface."

Which is why Mr. Saltzman listens. He listens to buyers at the company's 25 showrooms around the country, to owners of stores that carry the company's products—there are 6,000 such stores—and to women who wear Bobbie Brooks clothes—there are millions of such women.

"They talk about a fashion revolution," Mr. Saltzman says, "but fashion is really evolutionary. Fashion is not just dictated by New York and Paris. It also starts in the grass roots. You pick a happy medium."

Mr. Saltzman has been adept at picking that happy medium. Bobbie Brooks sales topped \$150 million last year in an industry that is famous for failures.

"Predicting what American consumers want is difficult," Mr. Saltzman says. "It's impossible unless you listen to them." □

Maurice Saltzman... always listening.



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Why Coal Is Carried to an Oil Town

A few years ago it might have seemed incredible that Exxon Corp. would be hauling coal to Baytown, Texas, site of the nation's largest oil refinery.

But the big energy corporation has been quietly bringing Illinois No. 6 bituminous coal to Baytown over the past year for a coal liquefaction pilot plant.

The plant, which converts one ton of coal a day to synthetic liquid hydrocarbons, is the forerunner of a 250-ton-per-day pilot plant scheduled to be in operation by 1980.

Half of the \$240 million cost of the program is being funded by the Department of Energy. Exxon Research and Engineering Co.; the Carter Oil Co., an Exxon affiliate; Phillips Petroleum Co.; and the Electric Power Research Institute are funding the other half. Exxon R&E will manage the project.

The 250-ton plant will produce 600 or more barrels per day of synthetic liquid hydrocarbons, which could be processed in the huge refinery complex and refined into gasoline, oils, and chemicals.

Initial purpose of the joint program is to further expand Exxon's donor solvent coal liquefaction process, which has been under development since 1966. Some \$32 million of Exxon's own money and \$13 million in government funds and other private funds have been spent to bring the process to its present status.

Coal liquefaction is not new—it was pioneered in Germany prior to World War II. The Exxon process uses current technology, however. It depends on an indirect catalyst which, unlike the original German system, allows use of a less costly and lower pressure system.

To start the process, pulverized coal is mixed with oil, which is used as a solvent. The mixture is injected with hydrogen and then subjected to pressure and heat. The coal breaks down into liquids that have the same chemical structure as petroleum. A portion of the liquids is then returned to mix with more coal, so that once the system starts, the plant produces its own

solvent. In other words, it donates solvent to the process—hence the name, donor solvent.

In addition, gas and heavy liquids produced will be processed to yield hydrogen and fuel for the heat required for the processing. So, except for the coal, the plant will be self-sufficient, once it gets started. It will extract 2.5 to 3.0 gallons of liquid per ton of coal. The only residue will be ash, which Exxon engineers hope to convert to other uses.

Primary products of the Baytown plant will be low-sulfur fuel oil, naphtha-blending components for motor fuels, and a number of usable chemical components.

The type of liquids produced will depend on the type of coal being converted. High-carbon-content coal, such as anthracite, is less suitable for the Exxon process than bituminous coal, which has a high hydrogen content.

Also, the choice of end product will affect the amount of liquids produced. Processing coal for gasoline, for example, will require more hydrogen, and thus there will be a smaller amount of liquids at the end of the pipe.

By 1982 Exxon and its partners expect to be able to design and build large-scale plants using the process. By the mid-1980's the cost of a barrel of synthetic oil from coal is expected to be about \$30, possibly the same as the price of a barrel of imported oil is then.

The liquefaction plants will most likely be built in the vicinity of coal supplies, and the synthetic oil piped to such refineries as the mammoth one in Baytown. •

Will Shrub Oil Replace Whale Oil?

Restrictions on whaling and a continuing demand for oil from the sperm whale has rekindled interest in a shrub that grows in the Sonora Desert of the U. S. and Mexico.

Oil that can be extracted from the fruit of the shrub, the jojoba, has physical and chemical characteristics similar to those of sperm whale oil.

The Battelle Columbus Laboratories has mounted a study to evaluate the oil's commercial prospects, specifically in high-performance hydraulic fluids, cosmetics, pharmaceuticals, and leather dressing. •

More Use Urged for Scrap Rubber

Although the use of scrap rubber has steadily decreased since the end of World War II, new uses and increasing energy costs are making it more and more attractive.

The Rubber Recycling Division of the National Association of Recycling Industries, Inc., says that it takes 70 percent less energy to produce a pound of recycled rubber than to produce a "virgin" pound.

Only five percent of the some 200 million tires discarded in the U. S. annually are reclaimed each year. This has produced a disposal problem of major proportions.

Recyclers, pointing out that tires for Army combat vehicles in World War II contained seven times as much reclaimed rubber as tires do today, believe that up to 30 percent of the rubber used to manufacture new tires could be recycled rubber without any deterioration in wear or performance characteristics.

In 1976 approximately 6.4 billion pounds of rubber were consumed in the United States, of which 4.7 billion were synthetic; 1.5 billion, natural; and 225 million pounds, recycled rubber.

A promising new market for old tires is to grind them into crumb rubber and mix with asphalt for road and airport runway construction and repair. According to the recycling industry, when large quantities of rubber are added to asphalt, pavement life can be extended as much as four or five times.

Arizona is the pioneer state in this use of rubber. The Federal Highway Administration, which started demonstration projects in seven states in 1976, is planning on expanding the program. □

How Employers Pick Managers

Here is how the display ad read:

National Sales Manager

Must be willing to take total responsibility for planning, coordinating, and supervising national sales force of newly formed division. Individual selected will be responsible for gross profit of this new division.

What kind of manager is most likely to get the job?

"The applicant with the most know-how and best track record in his field," says Charles W. Marks, executive director of National Personnel Associates.

He adds that "the candidate who is the most personable and gets along great with the employer is a strong contender."

National Personnel Associates, a network of employment agencies, asked its members to rank ten reasons why one management candidate is chosen over all his rivals. Here's the order in which the agencies rated them:

1. Know-how and track record in his field.
2. Being the most personable, making the best impression, and having the best chemistry with the employer.
3. Being the best people-handler and supervisor.
4. Being the most highly motivated and career-oriented.
5. Having the best growth potential.
6. Having the best references and reputation.
7. Showing the most enthusiasm for the job.
8. Being the most imaginative and innovative.
9. Willing to accept a lower salary than others.
10. Available to report sooner than the rest.

"Many different factors, most of them complex, affect the choice of management employees," says Mr. Marks.

"Yet the applicant's record of accom-

plishment and knowledge of the employer's area of business is clearly his or her strongest asset."

Comeback Trail for the REIT's

In late August, 1976, you could have bought Realty Refund Trust for \$18 a share. Twelve months later the price was \$21 a share.

That's a capital gain of 26 percent in one year's time.

Current dividends aren't bad, either. The real estate investment trust's stock, at recent closing prices, paid a return of more than ten percent.

"Beats Treasury bills," one happy investor says.

So does the return on other REIT's, as real estate investment trusts are known in Wall Street.

For example, there is Property Capital Trust.

A year ago you could buy it for \$10 a share. Twelve months later the market price was \$11.875.

At that price, the dividend yield is 10.2 percent. Bought on margin, the yield is 20.4 percent, minus the broker's interest on your account and adjusted for your tax-deductible interest payment.

What has happened to these stocks points up what the National Association of Real Estate Investment Trusts is now saying. Namely, that at least some REIT's have recovered from the real estate bust that zapped earnings.

However, the association doesn't quarrel with an old saying that has proved particularly pertinent on Wall Street: Let the buyer beware.

Who Handles PR at Which Company

Most big companies have in-house public relations staffs.

But one out of five also retain outside PR counsel.

This information comes from the latest edition of "O'Dwyer's Directory of Corporate Communications."

"Sometimes the PR function goes by another name," says publisher Jack O'Dwyer. "Like publicity, public af-

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fairs, or corporate communications.

"Basically, however, what the people do—under any of these or similar titles—is virtually the same."

Of more than 2,000 firms and 200 trade associations listed in the directory, fewer than 700 have no public relations people listed as such on their payroll.

"The bigger the company, the more likely it is to have both staff PR people and an outside PR consultant," says Mr. O'Dwyer.

Who handles calls from the press when the company has no professional help?

Usually, it is the president or chairman. If the chore is not handled by one of these top officials, it most likely falls to the treasurer, the secretary, or a vice president.

The \$60 directory is published by J. R. O'Dwyer Co., Inc., New York. The companies are listed alphabetically and indexed geographically and by industry. Entries include the firm's name, address, and phone number; size of public relations staff; names and functions of PR staff employees; and outside PR counsel, if any.

How to Get Workers to Appreciate Extras

If your company is typical, it costs you an average of \$3,230 a year for so-called fringe benefits for each person on the payroll.

For most employees, these added costs are invisible, says M. L. Kamin, a vice president of Ranger National Life Insurance Co., Houston.

Why? Most companies don't effectively tell employees about them, he says. He suggests:

- Make your message personal.
- Keep it simple.
- Talk about the future.
- Give employees the message at least once a year.

"If you pay for it, don't be afraid to talk about it," Mr. Kamin says. "It's your money."

Thumbs Down on Go-Fers

She's a topflight secretary.

The title is misleading.

An accurate job description would be her boss's right hand. When it gets down to the nitty-gritty, she may know more about the operation than the executive she works for.

Her work has its satisfactions.

Still, secretaries do a lot of odd jobs—such as making the coffee or

going out for it—that they don't relish.

The Dartnell Institute of Business Research recently ran a survey of top-level secretaries. What are some of the odd jobs you're asked to do, the survey asked, and how do you feel about them?

Here's a summary of the answers:

	Percent
Serving coffee	79
Personal correspondence	61
Making personal appointments	45
Arranging his vacation schedule	43
Conducting personal bank business	33
Typing for executive's family	31
Gift wrapping	30
Chauffeuring	16
Personal bookkeeping	11
Only 28 per cent felt that these Gal Friday chores are legitimate.	

If OSHA Is After You

Suppose the rungs on your ladder are made from the wrong kind of wood or are not spaced far enough apart.

The ladder won't pass the Occupational Safety and Health Administration's meticulous standards.

Could be that your sheepherders aren't close enough to a men's room.

Maybe there's no guardrail around your picture window.

Whatever the alleged violation, if OSHA cites you, take a good look at the printed form that zaps you.

The form has been changed, says Robert D. Moran, former chairman of the Occupational Safety and Health Review Commission and now editor and publisher of the newsletter, "OSHA Casebook."

Once, if OSHA cited you for a safety booboo, its printed form had this disclaimer:

"This issuance of a citation does not constitute a finding that a violation of the act occurred unless there is a failure to contest as provided for in the act or, if contested, unless the citation is affirmed by the Occupational Safety and Health Review Commission."

Citations don't include this warning any longer, says Mr. Moran, a lawyer. But, he says, "They should. OSHA's own regulation requires it."

His newsletter says that "a rather thorough, but not exhaustive, search of pending OSHA cases has failed to reveal any employer contest to a citation based on the new form's failure to comply with OSHA regulations." □

Introducing Johnny and Mary to the World of Business

By Priscilla Schwab

JOHNNY AND MARY may know how to read now, but they are still flunking economics. For example, many Johnnys and Marys think that at least half of any given price is profit, that competition is bad because you get beaten, or that increasing productivity just means working longer hours.

These myths, which are shared by a sizable number of adults, are dispelled in an educational kit distributed by the Chamber of Commerce of the United States. The two-part kit, produced by a group of teachers, is named "Economics for Young Americans." That title is very much to the point. "Economics for Young Americans" is designed to tell high school and junior college students what our economic system is all about and how they fit into it.

The National Chamber sells "Economics for Young Americans" to businesses which, working through local chambers and trade associations, persuade teachers, principals, and school boards to use the kits as part of the curriculum in economics and related subjects.

"The object is to get teachers and business people involved in educating students on how and why our economic system works," says the National Chamber's Director of Promotion Robert H. Moxley, who coordinates the project.

Phase I of the kits, now in use in more than 12,000 schools across the country, consists of four film strips and tape cassettes, a teacher's manual, and four activity sheets for each of four subjects. The sheets set up projects and questions for students.

Practical questions

For instance, the activity sheet for one subject, "Profits at Work," poses this hypothesis:

Suppose you suddenly inherit some money, say \$1,000. Instead of spending it on a used van or a quadraphonic sound system, you decide to invest it by buying stocks.

The students are asked:

Will you buy stock in a company that makes after-shave lotion for horses? Or electric coffee spoons or fur-lined rat cages? Will you put your money into a company whose product costs three times as much as the brand you use? Will you give your money to a company that promises to give it back at the end of a year?

Students who answer no to each question are beginning to understand the basics of business. A company, they learn, cannot succeed if it makes products nobody wants, if it can't compete with similar businesses, or if it doesn't pay interest or dividends to its stockholders.

Also, the students learn what is profit and what isn't. It is easy to think of money pouring into company coffers, but the activity sheets show how the money goes pouring out.

The students are guided through a feasibility survey to determine where and how they could set up a business. They learn about salaries and extra benefits, taxes and more taxes, wholesalers and suppliers, heat and light and rent, and fluctuating markets. The lesson is obvious—profits are what is left after all the expenses of doing business are paid.

A personal touch

All this may seem old-hat to the business manager accustomed to producing goods, increasing sales, and worrying about profit margins. It is not so simple to the high school student whose knowledge of the business world may be narrowly defined by newspapers and television and whose image of a business person may be fuzzily focused on corporate executives consummating billion-dollar deals in penthouse suites.

The kits are accompanied by a component that is missing from some other educational tools—a real, live human being. The National Chamber, in dis-

What's new?
Bernard Vanderwall outlines the "Economics for Young Americans" kit to a class at Mona Shores High School in Norton Shores, Mich.



tributing the kits, insists that the sponsors select a business person who will go into the classroom at the teacher's invitation and "act as a resource person." This means someone who will explain how and why his or her business operates, defend and subtly promote the American economic system, and answer annoying questions from a group of young people.

"You really have to convince business people to do it," says Mr. Moxley. "They are eager to buy the kits—at \$35 or \$40 each—but a little hesitant to go to a school. Of course, the local business group sponsoring the kits must choose business people who can relate to teenagers, who are not afraid to speak out or be unpopular, and who can argue without being provoked."

Michael J. O'Neill, assistant secretary for public relations at Manufacturers Hanover Trust Co., which has sponsored 142 kits in New York City schools, is one of those people. He went to an economics class at Martin Luther King, Jr., High School in Manhattan to talk about banking in general and Manufacturers Hanover in particular.

Making economics real

Mr. O'Neill asked the class why people choose one bank over another. Some students suggested higher interest rates on savings or no charge for checking accounts. Mr. O'Neill said nothing. Then one boy said: "Because the bank's branch is nearest to your home."

"That's right," said Mr. O'Neill. "Banks spent a great deal of time and money to find out that people go to the bank whose branch is most convenient."

After a give-and-take session on bank advertising and other banking practices, Mr. O'Neill explained how banks buy and sell money.

One girl in the class asked a practical question: Would Manufacturers Hanover lend her the money to go to college in a few years? Mr. O'Neill explained about security and parents cosigning a loan guaranteed by the government, and the bell ended the class.

"This is the real strength of the kits," says Pat Reilly, assistant principal for social studies at Martin Luther King. "They make economics very personal. They bring a subject—profits, productivity, competition—into the real world. The students like that because they can relate the subject to their lives, their futures. They get the idea that 'maybe I can make it.'"

What about bias? Are the kits too biased in favor of business? Not really, says Ms. Reilly, who introduced the kits into her school.

No propaganda

"Teachers generally have a great bias against business," she says, "and at first one of the objections voiced about using the kits was that they were probusiness. But it was agreed that anybody who produces anything has himself in it. The kids know where the kits are coming from. It says Chamber of Commerce on the box, and the students know that's not Ralph Nader's group."

"Besides, school is a learning experience. The students have to learn how to accept, reject, or modify information from all kinds of sources."

Ted Biederman, a social studies teacher at Martin Luther King, adds that the students are perfectly capable of seeing through an attempt to bamboozle them.

"If you give today's kids propaganda, they will recognize it for what it is, and it will turn them off like nothing else," he says.

"Nobody is more opposed to Marxism or the state capitalist system of Russia than I am—it is an abomination—but if you try to sell the free enterprise system as faultless, you are defeating yourself, because any kid with half a brain will know you are feeding him baloney."

Fun illustrations

Mr. Biederman claims many school textbooks on economics are replete with propaganda, which he helps his students to dissect and analyze. "But this kit's section on competition has no propaganda in it," he says. "The material gives you a perfectly valid, logical analysis of competition."

"It does not try to glorify our system, it just tells you about competition in business. It presents its case well, and the 12-minute film strip passes the ultimate test—the kids are still awake at the end of it."

The kits provide entertaining illustrations of how the various elements of our economic system mesh. For example, the subject "Money Matters" welcomes you to the mythical land of Fidonia, where the Fidonians make a secret compound called Pyron 9.

From this marvelous substance, they produce meat in delicious protein packs; dome-shaped houses that can be assembled in a few hours; cars, trucks, and buses with bodies tougher than

steel; and rinse-and-wear clothes that never need soap.

Sound like the Fidonians have it made? They don't. The Fidonians, after many years of prosperity, are running out of the natural resource, zonix, from which they produce Pyron 9. And other zonix-rich countries have recently doubled their prices.

As the cost of goods rises because of higher priced imports of zonix, the workers pressure for higher wages. And the government spends money freely on social programs and public works projects to improve the quality of life for the Fidonians.

The kit's activity sheets lay out an analysis of how to avoid Fidonia's looming inflation, as seen from the eyes of company executives, union leaders, farmers, government officials, factory and construction workers, teachers, and retired persons. The conclusion is clear: There is no one answer to inflation.

Explains hidden causes

Phase II of the kits is now being distributed. It has different subjects than Phase I, but otherwise the ingredients—film strips, cassettes, a manual, and activity sheets—are the same.

A section on prices in Phase II shows how the final cost of a can of tuna fish is affected by the international price of aluminum, by the regulations requiring fishing boats to try to avoid catching porpoises in seining for tuna, and by the housewife's decision to buy less beef because the price has increased. That increase, the kit explains, may be affected by the volume of the anchovy catch off Peru and the size of the wheat crop—both commodities used in feeding cattle—and by unionized meatpackers' annual wage increase.

A section on savings explains what banks and other financial institutions do with the money people deposit. In this section, the intricacies of the discount rate, Federal Reserve requirements, government spending, and available capital are unraveled.

Genesis: Powell memorandum

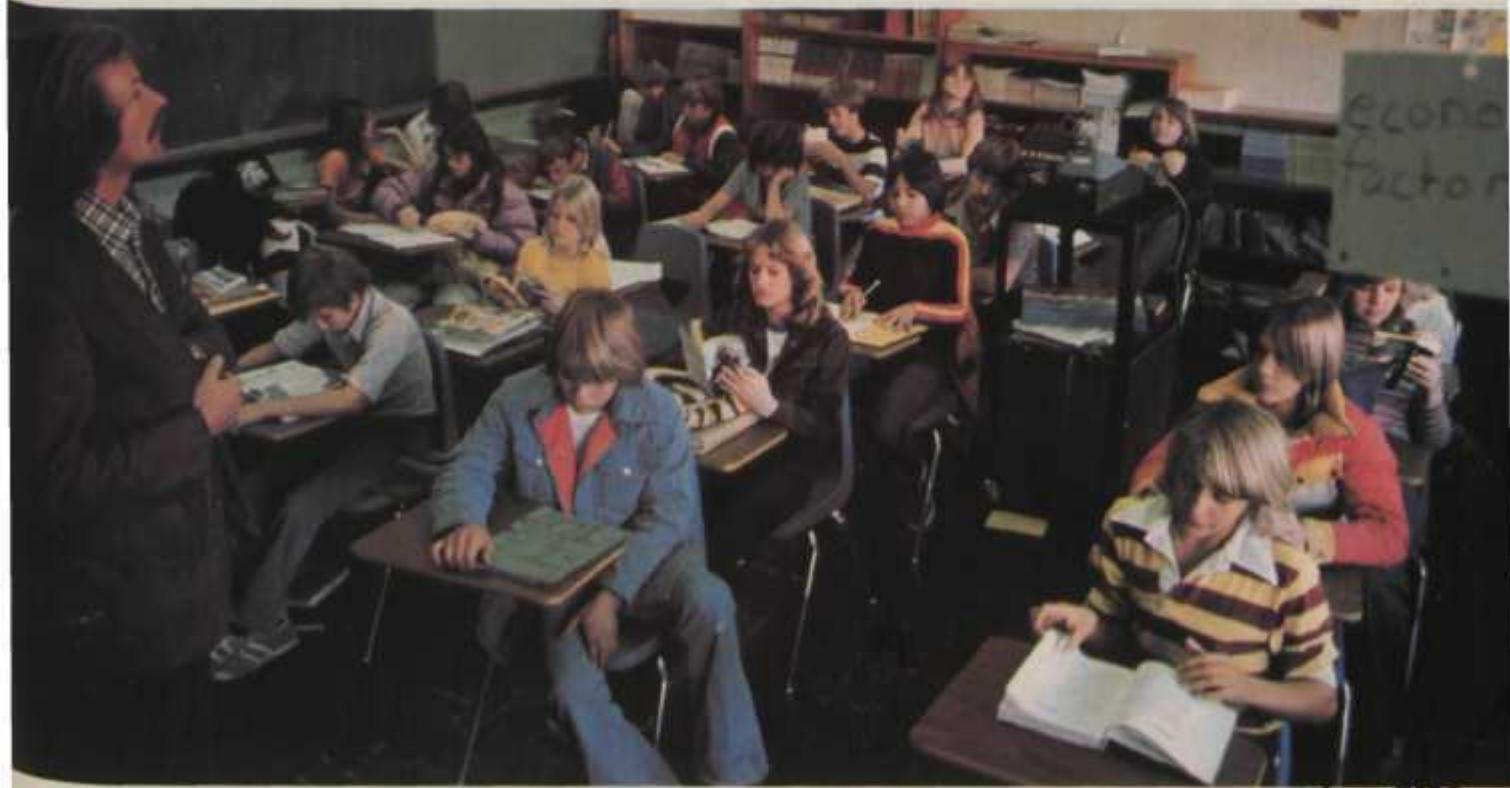
The "Economics for Young Americans" project stems from a memorandum written by Lewis F. Powell, Jr., before he became a Supreme Court Justice. That 1971 memo emphasized a few hard facts:

- A general attack on the private enterprise system had evolved over the previous two decades.
- Business had shunned confrontation—in politics, on campuses, and in



Paul Bradley (photo at left), who teaches social studies at Lakewood Junior High School in Lakewood, Colo., "across the street from Denver," introduces a seventh grade class to "Economics for Young Americans." Lakewood is one of the 24 junior high schools in Jefferson County that use the kit. The countywide school system requires students to take economics courses in order to graduate.

Market value
Jefferson
no credit
(writing negot)
Jungle



the media—because existence in the business world requires rational decisions and eschews mindless slogans and idealistic solutions.

• One of the bewildering paradoxes of our time is the extent to which our economic system has tolerated activities leading to its own destruction.

- Major colleges have graduated scores of bright young people who are now in regulatory agencies or government departments with authority over a business system they do not believe in.

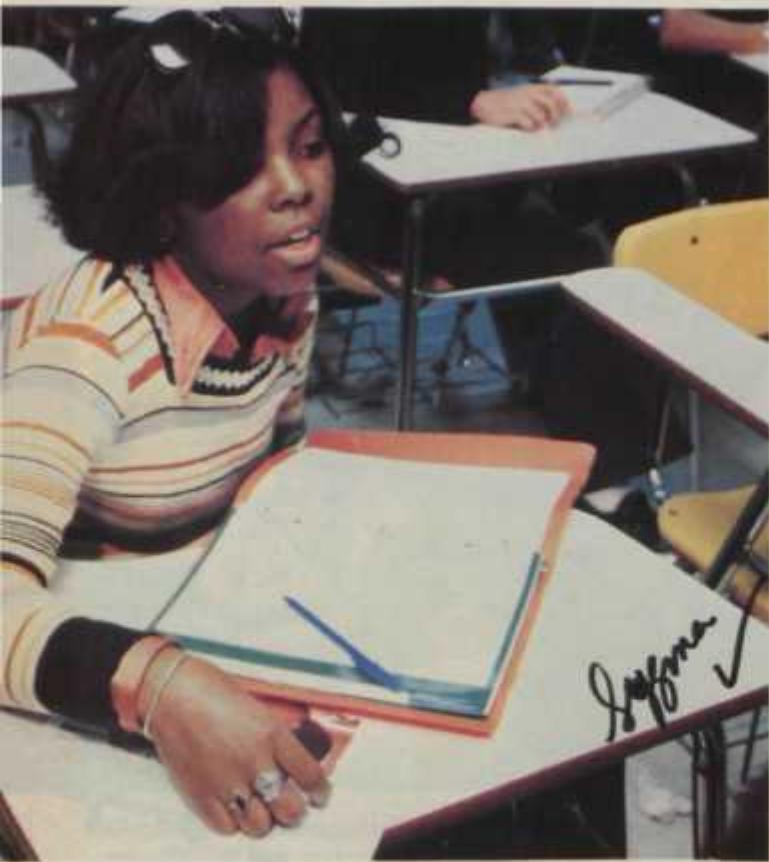
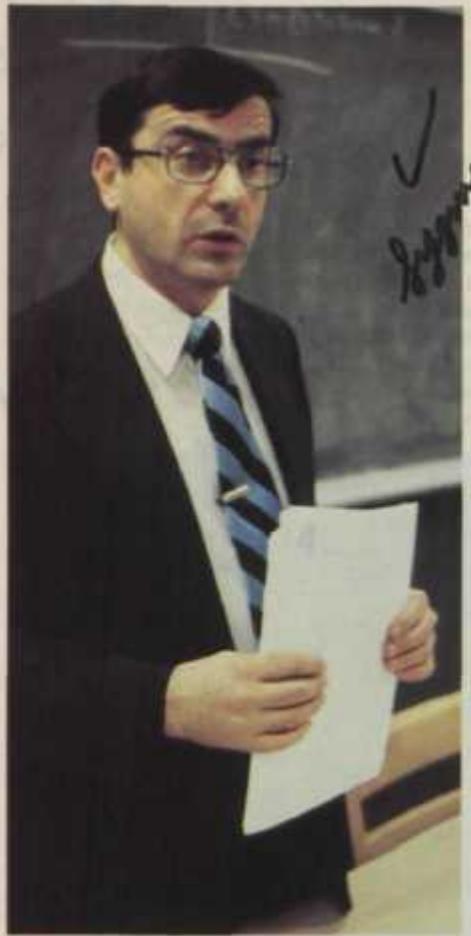
The memo concluded that it was time for American business, which has

demonstrated the greatest capacity in all history to produce and to influence consumer decisions, to apply its impressive talents to the preservation of the system.

"Economics for Young Americans" is one of the National Chamber's answers to that call for action. □

Marley J. Nagyman photos of entire file as of 1-18-91

"Gonna Get a



Ted Biederman (top left), social studies teacher at Martin Luther King, Jr., High School in New York City, conducts a class on the competition segment of the "Economics for Young Americans" kit. The topic provoked a spirited response.

(no credits)

Piece of the Pie"

The scene is an economics class at Martin Luther King, Jr., High School in Manhattan.

A discussion is under way that evokes thoughts of "Gonna Get a Piece of the Pie," theme song of "The Jeffersons," a popular television show about the black owner of a business.

The following dialogue is extrapolated from students' responses to the teacher's questions and—occasionally—to each other's responses. The teacher is Ted Biederman.

What is competition?

"It's like a race. It's like when two people want the same thing and they both try to get it."

"It means better service. If you don't produce the best, you lose customers and you go out of business."

"If the local supermarket is the only one around, you have to take the price that's there. You're not going to walk 20 or 30 blocks to get washing powder cheaper."

Is a store like that a monopoly?

"Right. This store I'm talking about charges prices you wouldn't believe. The one downtown—the prices are lower and the stuff is better, but it costs a dollar to go downtown."

"Then you gotta get it all home."

"Right."

What can you do about that?

"Protest."

"Sign a petition."

"Don't buy there."

"What am I gonna do for food?"

"Nobody does anything; they just complain."

"If the store has a monopoly, it doesn't have to meet people's needs and their standards. It doesn't have to compete because it has the whole thing."

"You haven't got a choice."

What does free enterprise mean?

"Making something and selling it."

"Opening up a shop."

"Being able to start a business on my own."

How?

"Find a neighborhood, a good place to locate, see if there is a demand, see what the competition is."

"You have to have money, take out a loan, or find a partner with money."

"You have to find a distributor to buy your products from."

"You have to hire good people who aren't going to cheat you. Take your profits."

What are profits?

"What's left over after you pay everybody."

"After you pay taxes, and you pay for your product, if there's any money left, that's your profit."

"You have to pay your rent for the store, too."

"You gotta pay your gas and light bills."

"Yeah, you could have profits and be in the dark."

"Profits are like capital; you can use them to expand your business. Like, if you can buy 4,000 tennis rackets for \$35 each and sell them for \$50 each. That's better than only buying 1,000 of them."

Why?

"Because the more I buy, the more money I make—that's my profit. And I can use that to buy more."

"But you gotta sell them first."

"Sure, I'm not going to keep them. I want to make some money in life."

What if nobody wants to buy the rackets?

"Somebody wants them. I have to find the demand, the people to buy my rackets. That's supply and demand, right?"

What is advertising?

"That's how I'll find 'em."

"It's telling people about your product."

"They try to get you to buy something."

"It tells you when sales are going on and what the prices are."

"It's not all true; you can't believe all that stuff."

What stuff? They're lying?

"Naw, it's just not all true. Like when you buy a car, the girl doesn't come with it."

"Everybody knows that. They're trying to sell you the car."

What is economics?

"Money."

"The country's financial situation."

"Everything."

What do you mean?

"It's a cycle. Like A touches B touches C. What goes around comes around."

"Heavy."

"It's how we live, what we live on."

What is productivity?

"Producing stuff faster."

"You use machines to produce more. And it costs you less."

"Like a steel mill. It will store a lot of steel, and then when there is a strike there will still be steel that they can sell."

What is unemployment?

"No job."

"Can't get a job."

Why not?

"There aren't any going."

"You haven't got skills—you can't do nothing."

"If you drop out, you've got to go to Manpower and wait around all day for work."

"You've got to ask for a job; it's just not gonna come along."

"Some people want a job; but they don't want to work; they just want to get paid."

"If you don't want to work for the money, the boss can just get somebody else. He doesn't need you."

What are taxes?

"The government takes your money."

"They really chop you up. They took \$18 from me one week last summer." □

Spreading Economic Education Across the Country

HOW DO you measure a program's success? In the case of the "Economics for Young Americans" program sponsored by the Chamber of Commerce of the United States, what people say and do about the program is a sure barometer of how it is winning acceptance across the country.

R. T. (Dick) Dixon thinks so highly of the program's instructional kits that he is teaching their subjects himself.

Mr. Dixon, who is manager of radio station KOIT-FM in San Francisco, promoted the kits with 60-second radio spots aimed at the Bay area's youth. The spots advertised a one-session Saturday morning course with Mr. Dixon and local business people in an elegant conference room on the 27th floor of the Transamerica Pyramid Building, where KOIT has its studios.

The kits were provided by the Southern California Gas Co. and the Pacific Gas and Electric Co., which, along with Avco Financial Services, have bought more than 800 kits for schools in California.

Although he is not a teacher, Mr. Dixon says that he "wanted to take an active part in promoting private enterprise. If I give the course myself, then I can see the effects."

Gulf Oil Corp. has placed about 1,200 kits in Pennsylvania and Texas—"wherever they had not already been provided," says Dr. Alexander Lewis, Jr., Gulf Oil Foundation president.

R. T. (Dick) Dixon, station manager of KOIT-FM in San Francisco, teaches the "Economics for Young Americans" course himself to Boy Scouts.



"We had a few reservations about the kits' objectivity at first," he says, "but we asked a number of educators what they thought, and the feedback has been good."

Continental Can Co. is also enthusiastic about the kits. It has placed kits in 101 schools in three states. A recent Continental quarterly report carried a photo of a kit with the explanation: "This kit contains food for thought."

Other organizations and people all over the country are also getting involved in the "Economics for Young Americans" program. Following is a sampling.

COLORADO

"Because of their audiovisual approach, the kits are a great way to introduce economics to youngsters," says Anthony Petrillo, curriculum director for the Jefferson County school system in Colorado. "They come as close as any tool I know to providing an understanding of economics at the 13-to-15 age level."

Jefferson County's Lakewood Chamber of Commerce has placed kits in all of the county's junior high schools.

"The county system has a fairly extensive economic education program," says John C. Bowers, executive vice president of the Lakewood chamber. "We worked for almost five years to persuade the school board to require economic education."

FLORIDA

"Business has had a black eye for some time," says Harriet Gonzales, budget and special projects coordinator for the General Telephone Co. of Florida. "Most institutions today have a credibility problem, and that stems from a lack of economic education."

General Telephone has placed more than 200 "Economics for Young Americans" kits in six county school systems, which are required by state law to teach economics and consumer affairs. Ms. Gonzales says that teachers have found "wonderful uses for the kits, not just in economics classes, but in history and social studies, too."

GEORGIA

In Decatur, Ga., the DeKalb Chamber of Commerce and five Rotary Clubs put kits in 24 DeKalb County schools.

"The kits are written by someone who obviously believes in private enterprise," says Jerry Crane, executive vice president of the Decatur News Publishing Co., "but they are not biased. Teacher feedback has been positive."

ILLINOIS

For John J. Neils, executive vice president of the Champaign Chamber of Commerce in Illinois, it was a question of coming to Washington to discover the kits.

"We took a congressional action group to Washington and, while we were at National Chamber headquarters, we learned about them," he says.

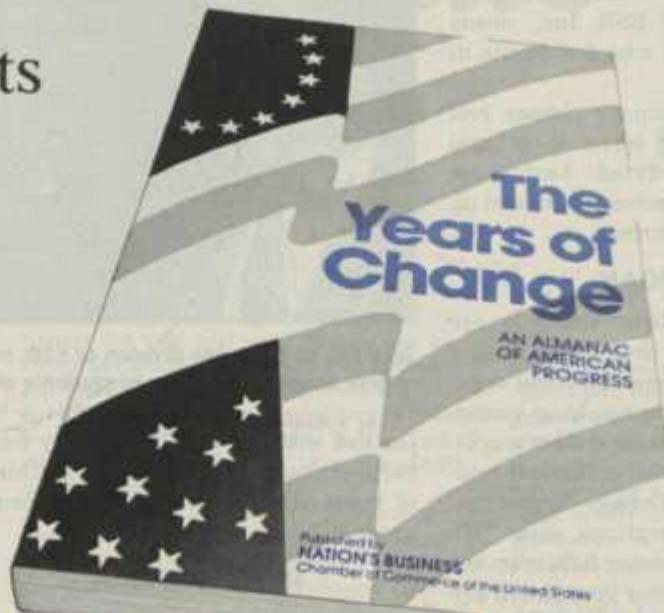
The Champaign chamber has placed kits in the local high schools and plans to put them in county schools. Kits have also been used in the chamber's career education program, which sends people from the community into schools to talk about their jobs.

MASSACHUSETTS

"It is the responsibility of business to communicate its message as enthusiastically as advocates of other views do," says Eric Swider, executive vice president of the South Shore Chamber of Commerce in Quincy, Mass. "We have to tell our story as we see it."

The South Shore Chamber has about 100 members who act as resource per-

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sons for the "Economics for Young Americans" program in ten local high schools. One member, Jack E. P. Hill, operations manager of the Exide safety systems division of ESB, Inc., meets regularly with high school students in Quincy.

At Hingham, ordinary classes end early in June, and a series of optional mini-courses are offered. Last June more than 500 high schoolers signed up for the economics course.

MICHIGAN

In Muskegon, Mich., the kits are helpful in the local program of Junior Achievement, the learn-by-doing organization dedicated to teaching youngsters how the enterprise system works.

Harold J. Workman, industrial relations manager for Dresser Industries' crane and hoist operations, says: "We have a very active Junior Achievement program here, and the youngsters are amazed how important profits are when running their own business."

Dresser Industries has distributed more than 75 kits in the 11 areas where it has plants or offices.

NEW JERSEY

The Foundation for Free Enterprise, which is affiliated with the Chamber of Commerce and Industry for Northern New Jersey, uses the kits in a number of programs, including a three-day workshop-retreat for top high school students and a 15-week course that brings teachers and leading lights of the business community together.

"We found a tremendous amount of ignorance about what makes the economic system work," says A. Lining Burnet, executive director of the foundation. "Some teachers were basically antagonistic, but after the course, the change in attitude was remarkable."

The kits have also been introduced in 23 school systems throughout northern New Jersey, thanks to the support of the United Jersey Bank.

OREGON

Gene Hopkins, executive vice president of the Greater Medford Chamber of Commerce in Oregon, says the chamber and the local Rotary Club have cooperated in persuading schools to use the kits.

"A couple of schools in the area were suspicious at first because we just wanted to give them the kits," Mr. Hopkins says. "I guess they figured that you don't get something for nothing. But one school way up in the boondies, a lumbering town named Prospect, was



Jack Hill, of the Exide division of ESB, Inc., uses the National Chamber kit to give economic insights to students at Braintree High School, Quincy, Mass.

Paul Lawler says Mass. CCC has a copy!

thrilled with the kit. I think they were thrilled that anybody would even think of them. And the other schools came around."

PENNSYLVANIA

"We have the Phase I kits in about 20 schools and are now in the process of implementing Phase II kits," says Jarvis Shaffer, executive vice president for civic affairs of Pennsylvania's Greater Harrisburg Chamber of Commerce.

"The kits are just a foot in the door, so to speak," he says. "There is much follow-up work to be done with teachers and by getting business people into the classroom."

One of those follow-up efforts is a business seminar that the Harrisburg chamber is planning to hold in March which will allow teachers to visit businesses in the area and have lunch with corporate executives.

TENNESSEE

"We were impressed with the way the kits are put together," says W. Colby Reeves, Jr., director of industrial services for the Greater Knoxville Chamber of Commerce. "It's not the same dull routine for students; the kits kind of jazz things up; they make economics more interesting."

Mr. Reeves says members of the chamber have underwritten the cost of the kits—there are about 90 in city and county schools in the Knoxville area. He adds that the chamber is starting an exchange visit program in which students and teachers will run a business for a day and company executives will take part in classroom activities.

TEXAS

"The kits fill a definite void," says Richard D. Tuttle, manager of corporate communications for the Houston Natural Gas Corp. "Texas mandates

economic education in the secondary schools, but we felt this area needed more attention. Somebody had to take the initiative."

That initiative resulted in nearly 500 kits being placed in 215 schools in the Houston and Harris County areas.

The company has also incorporated the kits into a broad program of economic education. The program includes a speakers' bureau of about 70 top employees who give talks to students and civic groups, a film on private enterprise, and a theme-writing contest for high schools. Houston Natural Gas stock is offered as prizes. The contest will end next spring with a series of banquets for students and business people.

WEST VIRGINIA

The West Virginia Chamber of Commerce has sent kits to each of the 55 county superintendents of schools in West Virginia, and their comments and reports are now being gathered.

Also, the state chamber has set up a symposium program that local chambers use to bring business people and high school students together in panel discussions on topics in the kits.

The symposium program has been "given a pretty good run" in the press, says John D. Hurd, executive vice president of the state chamber. "We intend to intensify our efforts with Phase II until the money runs out."

WISCONSIN

In Mosinee, Wis., there are 2,500 people, one high school, and one main industry. It was natural for the Mosinee Paper Corp. to provide a kit for the local school.

"It was really one-on-one," says Theresa Legner, the company's supervisor of advertising and public relations services. She adds: "The teacher called the kit a super piece of work."

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursement plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

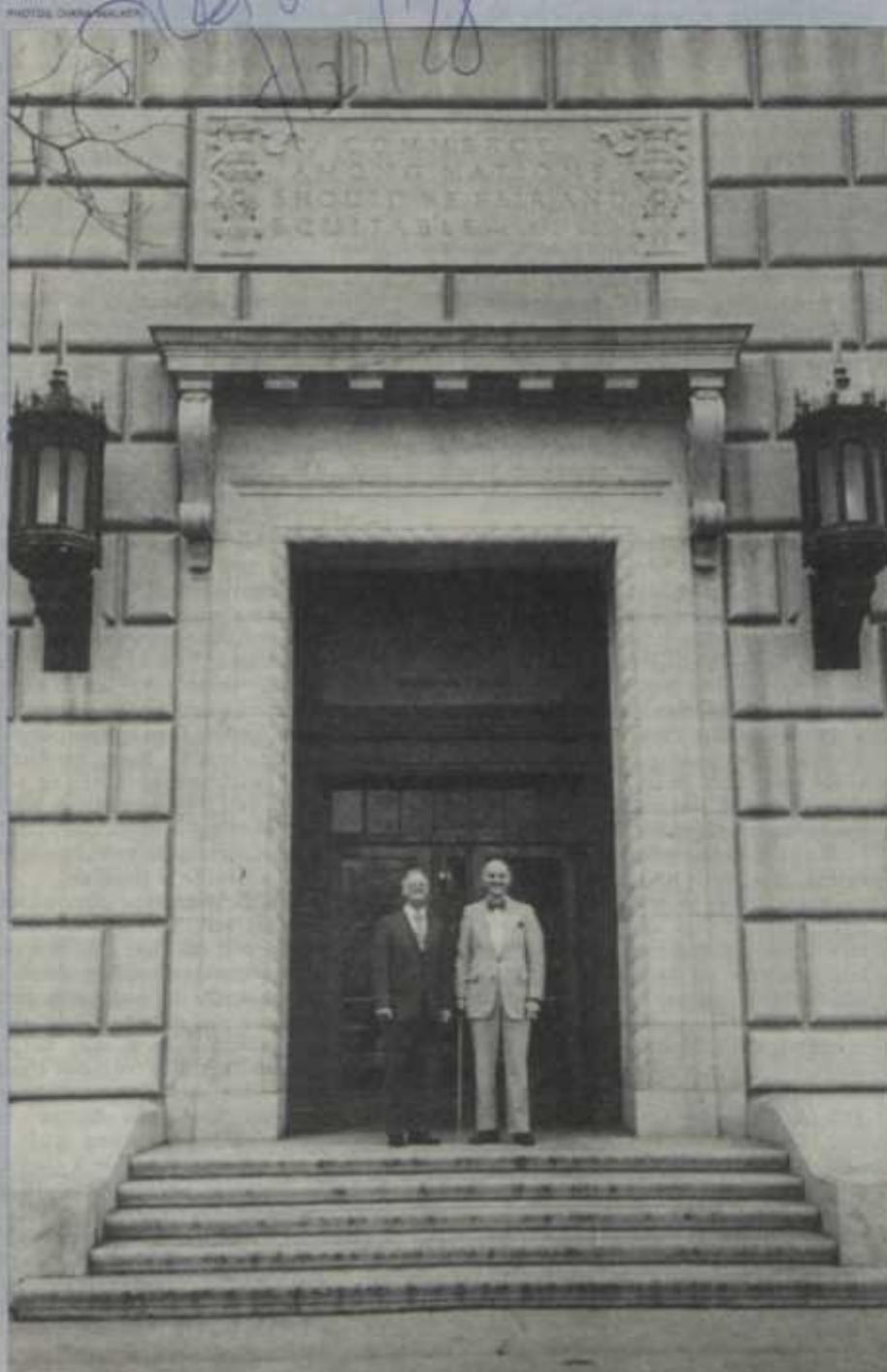
As a bonus for ordering my book now, I'll send you absolutely free a portfolio of valuable information. It's called "The Incom Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 25% without an increase in salary or even changing jobs in many cases. If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all I.R.S. guidelines. "The Incom Plan" includes forms, examples and sample letter agreements to make it possible.

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A Tiny Federal Office That Produces Big Results

By Vernon Louviere



Operating on a shoestring and officially no longer even in existence, Invest in U. S. A. has helped bring thousands of jobs and billions of foreign dollars to this country

A HUGE OPERATION at the Commerce Department administers a \$6 billion program designed to create several hundred thousand temporary jobs.

A tiny office in the same mammoth building, manned by two civil servants, also is helping to create hundreds of thousands of jobs—permanent jobs—at virtually no cost to the taxpayers.

In the strange ways of Washington, the latter operation was officially abolished 14 months ago, but it has managed to survive on a shoestring. Now the Carter administration is under pressure from Capitol Hill and various states to revive it.

Invest in U. S. A., as the office is called, was created in the early 1960's to encourage foreign investment in the United States. By supplying information to foreign business people interested in opening operations in the U. S. and bringing these people together with state development officials, the

The office of Thomas Pierpoint (left) and Richard Roberts at the Commerce Department was officially abolished 14 months ago, and they carry on important work without clerical help.

office has been directly or indirectly responsible for creating about 1.5 million jobs in the past few years. And in the past few months, although officially out of business, it has set the stage for what could mean anywhere from 500,000 to a million new jobs financed by the emerging oil wealth of the North Sea.

State development boards and commissions swear by the efforts of Invest in U.S.A. to help them persuade foreign investors to build manufacturing plants in America.

Foreign investment soars

South Carolina, for example, says 35 percent of all new industrial development in that state comes from abroad, and it gives a lot of the credit to Invest in U.S.A.

Investment by foreign companies in the United States has soared from \$14 billion to \$30 billion in the past half-dozen years. Invest in U.S.A., to one degree or another, was involved in bringing many of these companies here.

In its peak years—1967 through 1974—Invest in U.S.A. operated with a staff of eight people and a \$300,000 annual budget. The staff and budget were gradually trimmed, until in 1976 there were only two investment specialists and a secretary, and the budget was \$100,000. For some reason the Ford administration in October, 1976, declined to ask Congress for new funds, in effect spelling the end of the program.

Now Richard Roberts and Thomas Pierpoint, who call themselves senior international investment advisers, are all that is left of Invest in U.S.A. They have operated virtually without funds for all these months and were even stripped of a secretary last summer. Their salaries are paid out of surplus Commerce funds since they are not actually on the payroll of any specific office in the department.

Despite its official demise, Invest in U.S.A. remains very much in business.

The two men handle an average of 50 telephone calls daily. They answer their own mail. Although Invest has been scratched from the Commerce directory, foreign businessmen and state development officials find their

way to Room 4020 to discuss multimillion-dollar deals.

"They don't know they're talking to ghosts," Mr. Roberts says.

A surprising end

Why the Ford administration decided to kill the program has never been clearly spelled out. When the federal budget for fiscal 1976-77 was released, there were no funds for Invest. No explanation; no nothing. Which was surprising in view of an 18-month White House study released in August, 1974, that lauded Invest's successful efforts to boost foreign direct investment. The report said:

"Apart from the net effect on the United States economy, it is clear that, with respect to the localities in which they have been established, the introduction of new foreign firms ... has been a creative factor in generating jobs, training workers, increasing local suppliers' production, and generally benefiting the local economies."

Between that report and one issued last August, government attitudes toward any effort to encourage foreign investment seem to have changed markedly.

The 1977 report was drawn up by a special economic review group composed of representatives of the White House and the State, Treasury, Commerce, and Labor departments. It said:

"The fundamental policy of the U.S. government toward international investment is neither to promote nor discourage inward or outward investment flows or activities."

"This policy is consistent with and reaffirms our long-standing commitment to a generally open international economic system. The government, therefore, should normally avoid measures which would give special incentives or disincentives to investment flows or activities and should not normally intervene in the activities of individual companies regarding international investment."

Out of step with Carter

The economic review group clearly was out of step with President Carter, who has been actively promoting foreign investment. In fact, Mr. Carter, while governor of Georgia, led several missions abroad to try to encourage

foreign manufacturers to locate in Georgia.

When the National Association of State Development Agencies, which strongly supports foreign investment, met in Toronto last June, President Carter told the group in a letter:

"The presence of representatives of our many state development agencies at this meeting attests to our desire to facilitate new production in our country and to our recognition that investment from other countries continues to benefit the United States."

When the State Department last summer sent U.S. diplomatic posts the economic review group's report, there were news stories which were interpreted in some quarters as evidence of a dramatic reversal of policy on foreign investment. Loud cries of protests from state development agencies followed. Some state officials, although unaware that Invest in U.S.A. was officially out of existence, petitioned the Commerce Department to maintain the program.

Role called essential

One such official, Joseph Brady, head of the New Jersey Office of International Trade and former national chairman of international development for NASDA, told *NATION'S BUSINESS*:

"A federal office of this type is essential. If this work were left to the states, those with big offices overseas would get all the business. Not only should we keep Invest in U.S.A. alive, we should strengthen it."

Last September W. Dean Moran, Deputy Assistant Secretary of Commerce, found it necessary to quell some of the states' fears that the federal government had moved to a completely neutral position on foreign investment. In a speech to NASDA in Tucson, Ariz., he said unequivocally: "That is not the case." He explained:

"We are well aware that West Germany, Japan, Canada, the United Kingdom, and many other nations are our direct competitors for foreign investment dollars, and we intend to earn our share of those investments."

Still, Richard Roberts and Thomas Pierpoint have been told on a number of occasions to look for new jobs. But these two men are dedicated to their



Invest in U. S. A. (portrayed by Mr. Pierpoint)

Invest in U. S. A. has been squeezed into a tiny set of rooms, but the dynamic duo of Messrs. Pierpoint (left) and Roberts carries on as many as 50 conversations a day with foreign companies concerning possible plant sites.

work, and they insist they will keep at it short of being thrown bodily out of their office.

No official order

Again, for reasons never fully explained, no Commerce official under the new administration has seen fit to sign a B order, a government form which would transfer them to other jobs.

Such an order was signed shortly before the Ford administration left office, but was never executed.

If indeed Invest in U. S. A. has and is helping to create new jobs at a time when unemployment still is running high in this country, why curb its efforts? Mr. Roberts thinks Arab oil money may provide part of the answer.

When the price of Arab oil skyrocketed after the oil embargo and stories of heavy Arab investment in the United States swept the country, Congress acted swiftly and perhaps prematurely. A flood of legislation to thwart such investment was introduced.

"There was a lot of pressure put on Congress to pass laws to restrict, restrain, and handcuff the flow of Arab money," Mr. Roberts recalls. "The situation was almost paranoiac. It turned out the Arabs were not interested in buying into or setting up manufacturing plants in this country. What became clear was that, if the Arabs were going to put money in manufacturing,

they were going to invest in manufacturing plants in their own countries."

For a time organized labor was fearful that any aggressive program to bring foreign investment into the United States would only accelerate the efforts of American firms to boost production operations abroad. Today, according to state development officials, there is virtually no labor opposition to foreign investment because unions see how it is creating jobs for their members.

Whatever jobs are created by Invest and others could not be more timely. Several months ago Zenith, the last American television-maker to resist moving abroad to take advantage of low production wages, announced it was laying off 1,000 of its 1,900 employees in Watsontown, Pa. All together, Zenith is slashing its work force 25 percent at five U. S. plants and moving assembly operations to Taiwan and Mexico.

Mexican mecca

Mexico has become a mecca for U. S. firms seeking lower manufacturing costs. RCA has a plant in Ciudad Juarez, just across the U. S. border from El Paso, employing more than 5,000 Mexicans. General Motors is negotiating to open a wiring assembly plant there that would employ up to 800 Mexicans.

Many foreign companies, on the other

hand, see an advantage to coming to the United States.

"At first they are apprehensive about taking such a large step," Rich Roberts explains. "They are afraid of losing money. They are concerned that the United States is too big and that the competition is too tough. The cost of labor doesn't concern them, but they are afraid of unions for reasons of their own.

"Our taxes scare them.

"When we talk about wages to them, we talk about unit cost of production—in which we are the best in the world. We tell them of our training program for employees, and they are impressed. Once they look us over thoroughly, most of their fears dissipate."

States praise performance

Despite the fact that states have become far more knowledgeable in recent years about how to attract foreign investors on their own—many have large trade missions abroad—state developers say the Commerce Department, through Invest in U. S. A., plays a pivotal role.

Jack Cawthorne, executive director of NASDA, told NATION'S BUSINESS:

"The states have had fantastic results working with Invest in U. S. A. This is the logical place to pinpoint regions of the U. S. where a foreign company may invest. Then the states can move in and do their own selling job."

"I'll give you a good example. Recently a Canadian firm came to us about putting a plant in the United States, but said it didn't want to deal individually with each of the 50 states. We suggested the firm go to Commerce and talk with Invest in U. S. A."

"We have had a continuous dialogue with this office, and it provides a service that is vitally needed by the states."

Conferences abroad

In 1970 Invest launched the first of a series of 35 conferences abroad to formalize the drive to attract investors to America.

"At that time the states were stepping up their efforts to reach out for these investors," Tom Pierpoint recalls. "More and more states were sending investment missions abroad. But they quickly found out that the universe of potential investors was actually very small. So we began these conferences to build and enlarge the list of potential investors for the individual states to call on."

More than 2,000 foreign companies have sent representatives to these con-

ferences, and more than 500 of the companies have begun manufacturing operations here. The states are continuing contact with the remaining 1,500 to encourage them to follow suit.

These conferences have also been attended by Commerce Department representatives and U.S. trade officials stationed in the areas where the gatherings are held. Also, whenever possible, they have been attended by representatives of American firms with overseas offices as well as officials of foreign companies which already have set up operations in the U.S.

"We have had excellent cooperation from American companies abroad," Mr. Pierpoint says. "They send their people at company expense. It doesn't cost Uncle Sam a penny. The information they pass on is invaluable. As far as the foreign companies with U.S. ties are concerned, we let it all hang out. They are free to discuss bad experiences as well as the good."

Michelin an example

Representatives of Michelin, the worldwide French tire manufacturer, attended several of these conferences. Richard Roberts tells what followed:

"In 1974 they made up their minds about coming to the United States. They stipulated only one condition: That they find a site at least 500 miles from Akron, Ohio [home of the American tire industry]. I suppose they didn't want their people to walk across the street in Akron to another job. At any rate, with that stipulation and other requirements set forth by Michelin, we put them in touch with a number of states that met their needs, and we let the states take it from there."

Today, in South Carolina, Michelin has three tire manufacturing plants and a test track employing 3,500 workers. This represents an investment of more than \$600 million. Recently Michelin announced additions to one of the plants, at Anderson, where it will employ 1,000 more workers, and to another, at Greenville, where it will add 500 workers. The company also announced plans to build a plant in Dothan, Ala.

"Invest in U.S.A. played a major role in bringing us together with Michelin," Robert Leak, director of the South Carolina State Development Board, told NATION'S BUSINESS.

T-Fal to New Jersey

As far back as 1967, Invest began working with T-Fal, the French pot manufacturer, to induce it to locate

here. Even in those days T-Fal exports to the U.S. were running \$35 million annually.

"In December, 1976, T-Fal told us they had decided to make the move and were interested in New Jersey," Mr. Roberts relates. "We called the industrial development people there, and they were immediately on the phone to Paris. When company officials landed at Kennedy International, the New Jersey people were there to pick them up with a helicopter."

Henry Helstoski, Jr., foreign trade representative with the New Jersey Division of Economic Development, picks up the story. He recalls:

"We got our first lead from Tom Pierpoint in the fall of 1975. Two other states—Pennsylvania and Ohio—were trying to get T-Fal. We did our homework and concluded that Fairfield was the right location for them. When they flew over the area in the helicopter and saw the transportation system we had to offer, they were sold."

T-Fal moved into a factory abandoned by an American company a year or so previously and will provide about 125 jobs.

Big success ahead

Why do these foreign companies continue to call on Invest in U.S.A. despite the individual effort of the states to attract them? Rich Roberts explains:

"They're accustomed to dealing with their federal governments. The French will go to Paris, and the Germans look to Bonn. They don't quite understand the sovereign nature of our states."

These successes in luring foreign in-



The picture on the wall says: "Hang In There, Baby," and that is what Tom Pierpoint's program is doing.

vestors may pale in contrast with the possible result of overtures now being made to Norwegian investors. The result could mean between 500,000 and a million jobs and investment running into billions of dollars.

The credit for bringing these economic plums to the U.S. will, ironically, belong largely to those two public servants, Mr. Roberts and Mr. Pierpoint, who work in a government office which has no official recognition.

In 1973 and 1974 two Invest in U.S.A. conferences were staged in Oslo. Actually, the meetings were almost sidetracked, because it was felt there were not enough investors in Norway to make them worthwhile. That changed overnight when a tremendous oil discovery was made in the North Sea, with Norway holding a giant share of the future riches.

Where Norway is strong

"Last May, remembering those two meetings, the managing director of the Council of Regional Banks of Norway, which controls 50 percent of Norwegian banking, called on us," Rich Roberts relates. "We talked for two days. He wanted to know what investment opportunities there might be in the U.S."

Rich Roberts and Tom Pierpoint suggested to the Norwegian that the banking council identify all the industries in which Norway is particularly strong, and plans were made for a meeting in Washington in September.

"In other words, we said: 'If you don't build locomotives in Norway, don't try to build them in the United States,'" Mr. Roberts recounts.

Eighteen Norwegian bankers came for the September meeting. Invest in U.S.A. assembled experts—from both private and public sources—on taxation, capital formation, antitrust laws, and other areas where information was needed.

The Norwegian bankers revealed the areas where they felt their country is strongest industrially, including automation equipment, sporting goods, canning, winter garments, farm equipment, and every aspect of commercial fishing.

"The Norwegians were favorably impressed with what the United States has to offer," Mr. Roberts says. "We feel we have an excellent chance of getting a large share of that Norwegian investment in the next few years."

Sony, the huge Japanese electronics manufacturer, debated a long time be-

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fore deciding to build a plant here, despite its large American market.

"They told us frankly they were afraid the American worker would not maintain the quality of their product," Mr. Roberts says. "Last year I got a letter from the chairman of Sony thanking us for our efforts. He included the results of a study which showed that quality control at Sony's San Diego plant was exactly equal to that registered at their Tokyo plant. Now Sony is building three more plants in the United States."

Tom Pierpoint and Richard Roberts have been with Invest for ten years. They have extensive business backgrounds. Mr. Pierpoint managed a small plastics plant in Virginia and for years was a railroad industry labor-relations official. Mr. Roberts was an executive buyer for Sears in Latin America and was founder and president of a small chain of supermarkets in Brazil. He also has served as managing director of international operations for The Jos. Schlitz Brewing Co.

Congress may help

Although the Carter administration has not delivered a coup de grace to Invest in U.S.A., it also has not shown noticeable signs of wanting to restore the program to its original level of effectiveness.

Deputy Assistant Secretary of Commerce Moran told NATION'S BUSINESS that the program will probably continue, but that the form in which it will continue has not been decided. He said the name might even be changed.

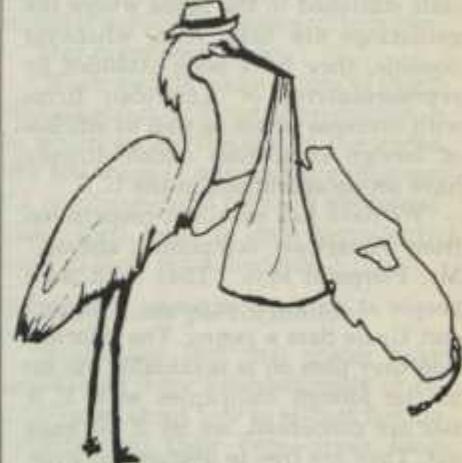
If the decision on Invest in U.S.A. is not favorable, there will likely be an outcry from Congress as well as from state industrial developers.

Rep. Marjorie S. Holt (R-Md.) has sent a "Dear Colleague" letter to fellow House members alerting them to the possible demise of the program. As a result of the letter, more than a score of congressmen—Democrats and Republicans, conservatives and liberals—have asked the Commerce Department to keep Invest in U.S.A. going. And the number of the office's supporters in the House is growing.

Contrasting President Carter's \$6 billion temporary jobs program with the Invest in U.S.A. efforts, Congresswoman Holt asserted:

"It is an unfortunate by-product of the bureaucracy that the successful program is cut back or discontinued, while the one that doesn't work is given a bigger budget in order to save it."

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New York	338	2,227.6	30.0	
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Winning the War Against Paperwork

A commission formed to study the paperwork burden goes out of existence this month, but the battle has just begun. Needed: public pressure for reform



OVER THE past eight weeks you have worked only two full weeks. You are well-acquainted with company policy that requires each of us to be on the job every day except for valid excuse.

"Be advised, further unexcused absence will not be acceptable, and you will be discharged."

This warning to an errant employee once would have been given verbally.

"No longer," says a supervisor at a firm that operates a steel service center in a mid-sized Southern city.

"Now we have to put everything on paper—commendations, complaints, reasons for a promotion or a layoff. And we have to keep the records for years.

"It's time-consuming and costly, but necessary. Otherwise, you leave yourself wide open to charges of discrimination under the Equal Employment Opportunity Act."

Such record-keeping is only a small part of the government-imposed paperwork that this small company—fewer than 60 employees—has to contend with. Nor is this company alone.

Western Plastics Corp., a manufacturer of plastic pipe with annual sales of \$7 million, took a survey of government forms that it must fill out.

"I was astounded to find that in our small company we were handling more than 300 reports a year," says John J. Lainson, former chairman and president of the Hastings, Nebr., firm.

Mr. Lainson is now secretary and board member of Dutton-Lainson Co. in Hastings. His new firm is a whole-

aler and manufacturer of hardware products.

"I run into just as much red tape here as I did at Western Plastics," the Nebraska businessman says.

Closing up shop

On Oct. 3 the Commission on Federal Paperwork turned in its final report to Congress and the White House. Congress created the commission to make a two-year study of the "unprecedented paperwork burden" imposed by Washington and of how, if possible, to lighten it.

In preparing its report the commission had input from surveys conducted by the Chamber of Commerce of the United States among thousands of business people, who reported what the federal paperwork burden means to them. [See "How Businessmen Feel About Federal Paperwork," NATION'S BUSINESS, October, 1976.]

The commission found seven key causes for the heavy load of paperwork:

- Lack of communication.

"Government often does not know what problems exist, and those outside often are unable to let government know."

- Federal insensitivity to the problems the paperwork causes.

"Techniques to estimate costs both in and out of government are very crude."

- Incomprehensible forms.

"A college-level reading ability is required to understand the instructions for the simplest income tax form—Form 1040A."

- Overlapping organizations duplicate paperwork.

"Seventeen agencies write equal employment opportunity regulations."

- Poor program design.

"The truckers' daily log, required by the Department of Transportation to ensure that drivers do not drive more than ten hours a day, results in 1.2 billion sheets of paper annually. Unfortunately, the log... neither identifies possible violators nor helps in their prosecution."

- Poor information practices.

"The Occupational Safety and Health Administration and the Federal Trade Commission have found they could substantially reduce the number of people being asked questions."

- Inconsistent confidentiality policies that create mistrust.

"The Bureau of Mines is notifying companies that it can no longer keep confidential the information it collects from them, despite earlier pledges not to disclose individual company data."

Much to be done

Warren Buhler, director of the commission, says the group spelled out 770 ways to slash red tape or to do

away with useless or marginal reports.

He adds: "About half of these recommendations have already been put into practice."

That, of course, means 50 percent of the work remains to be done.

Cost alone is a powerful incentive.

The \$100 billion burden

The Jos. Schlitz Brewing Co. estimates its one-year cost of compiling reports for federal and other government agencies at \$719,864. It itemizes the list like this:

Bur. of Alcohol, Tobacco, Firearms	\$220,718
Environmental agencies	197,687
Internal Revenue Service	184,372
Securities and Exchange Commission	33,400
Equal employment agencies	30,952
Miscellaneous	22,686
Labor Department	9,870
Occupational Safety and Health Adm.	7,202
Agriculture Department	4,200
Bureau of the Census	3,980
Federal Trade Commission	2,960
Energy agencies	1,222
Commerce Department	460
Food and Drug Administration	155

This paperwork, the company adds, "does not include any data-gathering and reports which the Jos. Schlitz Brewing Co. considers necessary for its own use—for example, financial information required for internal control and proper and complete reports to stockholders."

The federal paperwork commission estimates that federal paperwork costs the country \$100 billion a year. That's about \$500 for every man, woman, and child in the United States.

Private industry, the commission adds, is stuck for \$25 billion to \$32 billion of the total.

A 120,000-page application

That estimate may be too modest.

Eli Lilly and Co., one of the nation's biggest pharmaceutical firms, says government paperwork costs it \$15 million a year—"gathering information, analyzing data, and filling out... forms."

A lot of the work is a waste of time and money.

"The firm's application to the Food and Drug Administration for an arthritis drug consisted of 120,000 pages—not including the duplicate and triplicate copies," Lilly says.

"About 25 percent of these pages contained information that was important to the FDA's evaluation of the drug."

Commission Director Buhler makes a similar point.

"A substantial part of the cost of paperwork is unnecessary," he says. "Furthermore, the smaller businessman is often hurt worst by it."

Rothenbuhler Engineering is a manufacturing firm in Sedro-Woolley, Wash. (pop. 4,500). It employs 40 to 50 people, depending on the season, to make safety equipment for the logging industry, electrical alarms, surveillance cameras, and like equipment.

"Approximately 40 percent of my time," says head accountant Wayne Lindstrom, "is being utilized for record-keeping for governmental agencies."

Meeting the agencies' deadlines isn't easy for small firms like his, which have limited staffs, he says. And when the deadlines are not met, he points out, "penalty assessments are made."

Worse, some reports are counterproductive.

"Faced with the burden of this paperwork," Mr. Lindstrom says, "small businesses are eliminating some programs—like pension plans—so that reporting requirements are no longer necessary."

Finding a cure

Paperwork problems "stem from how the government chooses to operate," says Commission Director Buhler. "They are symptomatic of underlying organizational and managerial problems."

"For permanent reform, you have to change how Congress legislates, how agencies make their regulations, and how federal programs are evaluated."

To do that, he says, requires basic changes:

1. Full-cost accounting.

"You have to look at the cost to those outside the government," Mr. Buhler says, "as well as to the government itself. That's not done today. Yet the costs to those outside the government are often very substantial."

"When it sets up a program, Congress should begin to say in its committee reports how much paperwork—and costs—its administrators may impose on the public."

"Federal managers must be made to figure out regulatory costs, how to minimize them, and still run an effective program."

2. Examining alternatives.

"The commission," Mr. Buhler says, "found the federal government is very poor at analyzing alternative ways of doing things. Instead, Washington tends to jump in with both feet, set up a program in haste, and later discover that it doesn't fit the real world."

Finally, he says, "You have to have a change of attitude on the part of government. It must be willing to recognize that it is causing problems for others outside government and take responsibility for solving them."

Making progress

The commission's efforts have already brought one major saving to businessmen.

Starting this year, employers will have to file Form 941A annually, instead of quarterly. This form includes the name, Social Security number, and covered wages of every employee on the payroll.

"Filing it only once a year, instead of four times, will save employers about \$360 million annually," Mr. Buhler says.

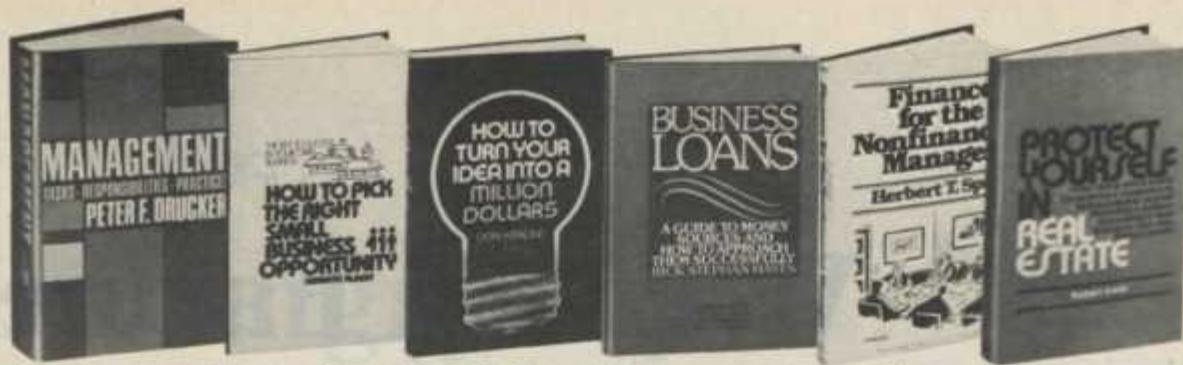
The reform, he notes wryly, was first urged by the second Hoover Commission in 1955.

The Federal Paperwork Commission will self-destruct, under the law that created it, on Jan. 31—120 days after filing its final report.

Only public pressure, says Rep. Frank Horton (R-N. Y.), commission chairman, will ensure that the battle does not end with that final report.

"If the follow-up is stalled or half-hearted," he adds, "our work in cutting the weeds of paperwork will vanish."





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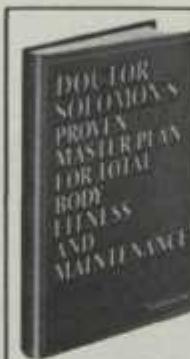
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Cost-price squeeze

Kansas farmers are angry. They are angry because they have been caught in a cost-price squeeze and because they do not like many ways in which the government is interfering with the business of farming.

The problem is explosive, and it affects not only Kansas, but every corner of the country.

Farming always has been cyclical, like a roller coaster, with some good years when the roller-coaster car is on the upswing and some bad years when the car descends. Successful farmers understand this and have made adjustments accordingly, saving during good times to help carry them over the bad.

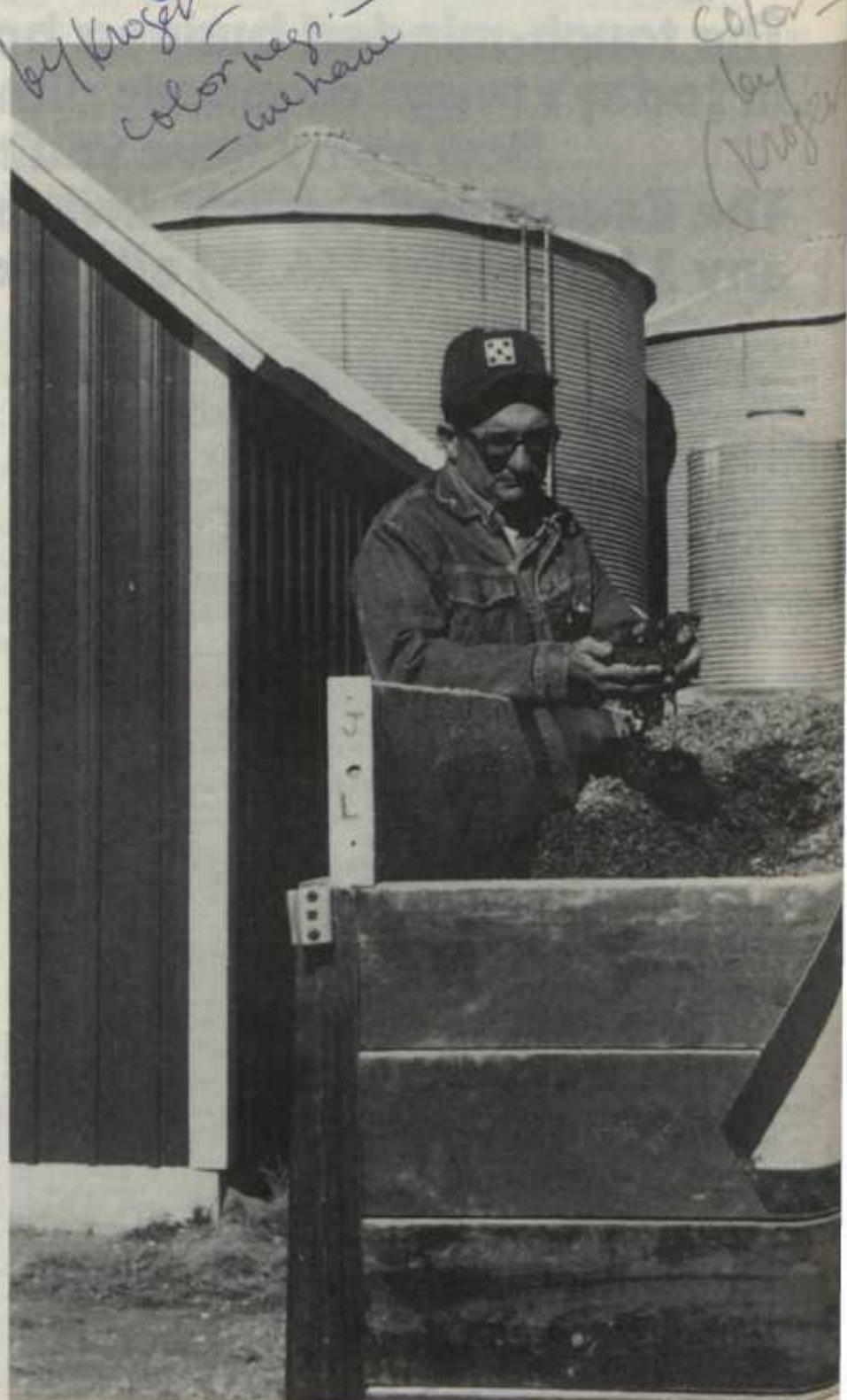
The 1930's, which are called the "dirty 30's" on many a farm, were very bad for farmers, as they were for others in this country.

Thinning reserve supplies

The 1940's generally were good years for farmers, but the 1950's and 1960's saw some problems. Wheat grew in abundance, but so did reserves. Prices went down.

In the early 1970's, however, mother nature changed the picture. Droughts occurred in parts of the world; crops generally were poor. Demand increased, and America's reserves began to dwindle.

Then, in 1972-73, Russia's crops failed, and that communist country turned to the U. S. for help. Wheat prices began to skyrocket, and by 1975 a bushel of U. S. wheat was selling for



Are Angry

By William Kroger



Kansas farmer John W. Lehner (photo at left) and farmers parading their tractors through Washington, D. C., are caught in a bind. Their costs keep going up while their product sells for less. The farmers are angry, and some will go out of business.

as much as \$5 and more. Some farmers made a killing.

John W. Lehner, a Canton, Kans., farmer, had promised his wife a new house if the price of wheat went up. It did, and Mr. Lehner and his family now have the house, paid for with cash.

Government spurred production

Times were good, and the federal government urged farmers to "plant fence-row-to-fence-row." Most people in the food market system were happy. Wages for workers in farm equipment plants, at milling factories, and in food stores went up. Food prices rose, too. Profits generally climbed.

The cost of land also increased. Farmers bought land for as much as \$1,000 an acre, tractors for many thousands of dollars, and a few farmers even had televisions installed in their tractors. Some also bought new houses, new cars, new coats for their wives. Their standard of living went up.

But looming on the horizon for the

farmer was a thing called oversupply.

By the summer of 1976 prices for wheat began to plunge—from \$5 to \$2 a bushel. While wheat prices vary in different parts of the country, the price in Kansas last June hit a low of \$1.81 a bushel. The market has improved somewhat in recent months, but it remains poor.

Just prior to the high farm prices, the U. S. had been shocked by the oil embargo, and people began to realize how dependent we are on foreign oil. Prices for gasoline and diesel fuel began to climb and would go higher.

Robert Knott is a Hesston, Kans., farmer who farms with his father and brother. Together they own 700 acres and lease another 500. Their operation is fairly large by Kansas standards, but it must produce income for three families.

The Knotts use 60 to 70 percent of their acreage to grow wheat and 15 percent to grow milo, which is used for feed. On the remaining acreage they

grow alfalfa. They also own about 550 head of cattle. In addition, they have an interest in a livestock auction in a neighboring town.

Hurt by higher prices

"I think what really hurt us was the \$5 wheat a few years back," Mr. Knott told *NATION'S BUSINESS*. "Everything else went up in price—equipment, fuel, fertilizer, seed—but it hasn't come back down. Wheat went up, too, but it came back down."

When wheat began selling at \$5 a bushel, he could buy a tractor for \$12,000. Today, he says, that same tractor costs \$24,000.

Mr. Knott, 47, has been a farmer all his life, and he says this recent period is the worst he has ever seen. "We'll take a loss this year," he says. "Wheat and cattle prices are down, and we had a chinch bug problem with our milo crop which wiped it out. Also, the wheat harvest wasn't great for us. It rained too much."

"Normally, you expect some bad times. If wheat is down, you pick up some money on milo or livestock. But this year nothing is working."

The cost of borrowing

Farmers generally have too little cash to make outright purchases, so they borrow. The cost of borrowed money is a big item in farming.

A good acre of Midwest land might produce as much as 40 bushels of wheat. If wheat is selling for \$2.50 a bushel, as it was recently, and the acre produces 40 bushels, the farmer can make \$100—or just about enough to pay the interest on the loan that paid for the acre.

Then the farmer has to buy feed and fertilizer and fuel used to run equipment.

He also has to pay for insurance. And he has to pay wages to the workers who help harvest the wheat. With the cost of everything increasing and wheat selling for a lower price, wheat



Frustrated farmers, in front of the U. S. Capitol last month, seek a better return for their product. But many officials say their protest won't result in what they want.

farmers are caught in a cost-price bind. A few of them will not recover, and those who paid inflated prices for land will be hurt the most.

In the cattle business, there is a similar picture. In the early 1970's beef prices, which had been dropping through the previous decade, bottomed out. Prices began to climb, and many Americans jumped on the cattle bandwagon. Herds increased, and beef prices soared. By the end of 1973 steers were selling for just under 60 cents a pound, up from 35 to 38 cents.

But supply exceeded demand, and within a short time the bottom fell out. By early 1974 the price of steers had plunged to 33 cents a pound. Last month a young steer could have been purchased for about 40 cents a pound in Kansas.

Cost of raising a steer

In the face of lower prices, the cost of doing business as a farmer has risen sharply.

A steer must be grazed for about five months before it can be brought to a feedlot for fattening. The grazing cost is about \$50, and insurance and incidentals add another \$12.

When the steer is ready, at 750 pounds, it is transported to a feedlot. Feed sells for about \$38 for each 100 pounds put on a steer, so if that steer is sold at 1,100 pounds, feed cost would be \$133.

Together with interest, the total cost of getting the steer ready for sale would be just above \$400. If fatted beef is selling at 42 cents a pound, as it was in early December, the steer would go for \$462.

But if beef is selling for much less than 42 cents, there would be no profit, and the sale could even involve a loss. When beef prices dropped to 33 cents a pound, many cattle producers were seriously hurt, some losing as much as \$200 per head. Some cattlemen went out of business.

Cost-price squeeze

Roger Murphy, manager of Great Bend Feeding Inc., a large feedlot at Great Bend, Kans., says that three years ago a large semitruck cost about \$23,000. Today that truck will cost \$52,000. Mr. Murphy owns three such trucks to help transport cattle from his feed operation, which can handle up to 35,000 head.

"A trailer to haul cattle cost \$10,400 three years ago. Today it costs \$22,500," he says. Diesel fuel to run his equipment has gone from 13 cents per



Manager Roger Murphy inspects feed at a large Kansas feedlot. He says: "When the bottom dropped out of the cattle market in 1974, many livestock producers went belly up. More are now in a precarious position."



Unassembled farm machinery awaits buyers at this Hesston Corp. plant in Kansas. But there are fewer buyers now that wheat prices are lower, and manufacturing firms such as Hesston have been hurt.

gallon four years ago to 43 cents today.

America's farmers have little or no control over market price. But the federal government can impact heavily on market prices, and many farmers are frustrated by that interference.

Since 1975 American wheat farmers have been producing, fencerow to fencerow, some two billion bushels a year, and this has created a surplus that would feed the U. S. and part of the rest of the world for a year.

New farm bill

It is easy to see what would happen if that much surplus wheat were dumped on the market. Prices would drop, even below the low prices of 1976. So, in the thinking of the federal government and many members of Congress, the factors that create a surplus must be regulated.

A new farm bill passed Congress in 1973 and was updated and changed last September. The law gives the government some power to regulate the flow of farm commodities, including wheat, through a complex pricing structure. Farmers who agree to participate in the government program can get loans on their commodities at a guaranteed minimum price.

Those who agree to reap the benefits also must agree to limit crop production, if the government so orders. For example, the government has ordered a 20 percent set-aside for the 1978 crop, which means farmers who participate must reduce their previous yield by 20 percent. This is one way the government hopes to whittle away at the huge wheat surplus.

Two main programs

Under the pricing structure, two main programs exist. One, a loan program, allows participating farmers to borrow from the government a certain amount of money per bushel, which for the 1977 crop is \$2.25. After a set period, the farmer can either sell his wheat and pay off the loan, or let the government keep the wheat while he keeps the money. This serves as a minimum price guarantee.

The other program involves a target price, which for the 1977 crop is \$2.90 per bushel. The wheat farmer is guaranteed the difference between the target price and the market price as long as the market price remains above the loan rate.

If the market price equals or drops below the loan rate, the farmer gets the difference between the loan rate and the target price.

Farmers may participate in both programs, and many of them do. But one area of concern, especially among such organizations as the Chamber of Commerce of the United States and the American Farm Bureau Federation, is that the target price and loan rate be set low enough to allow the U. S. to compete in world markets.

A continuing surplus

A loan rate that is above international prices could price U. S. farm commodities out of world markets.

The U. S. produces more food than it can use; therefore, it must sell food abroad. In order to do this, foreign markets must be developed. In addition, food plays a large role in America's balance-of-payments structure. Last year domestic commodities accounted for 21 percent of America's foreign sales.

The government can and does play a large role in the foreign market picture, but a number of farmers say the government is not doing enough in developing foreign markets. They add that the government permits politics to enter in, which allows the supply and demand of a free market to be subverted to the policies of whatever administration is in power.

The soybean embargo

During the summer of 1973, for example, an embargo was placed on soybeans targeted for export to Japan in the hope it would help curb domestic inflation. Japan needed soybeans and, feeling shaky about the U. S. situation, urged Brazil to grow the crop. Brazil did, and today it is one of the United States' largest soybean competitors.

Then, in late 1975, another embargo was placed on a farm commodity, this time wheat. The result did no serious harm to the U. S., even though some farmers say the drop in wheat prices began with the embargo, but it did concern America's foreign customers. They began to feel the U. S. could not be trusted.

The U. S. farmer thinks the federal government uses America's tremendous food-growing power for political ends, to force various countries to bend to U. S. whims. Many farmers want the government out of the agriculture picture entirely.

John C. White, Deputy Secretary of Agriculture, does not agree. He says that, if the government got out entirely, "it would bankrupt American agriculture." He asks: "Would it mean the government would no longer have any restrictions on beef imports? Would it

mean the end of government loans?"

Mr. White and many others feel that the government is in the agriculture business to stay. The important question is how much the government should be involved.

Carol Tucker Foreman, Assistant Secretary of Agriculture for food and consumer services, spoke recently about what she sees as the government's role in forging a new food policy. Her ideas, delivered to the 1978 Food and Agricultural Outlook Conference in Washington, would have the government even more involved than it is today. Many businessmen and associations are concerned about that viewpoint.

Why farm ants are spreading

A number of small farmers say they need government help—in the form of loans, developing foreign markets, and in other areas. Larger farm operators feel that government involvement should be minimized, that the free market should be allowed to operate.

Donald T. Donnelly, assistant director of the American Farm Bureau Federation's Washington office, cites what happened about the fire ants, which have been pestering farmers in the South for some time.

"The fire ants build large mounds, bite animals, and in some cases have killed animals," he says. When a farmer plows over one of the mounds, the ants go wild.

A chemical called Mirex controlled the ants, but Mr. Donnelly says the Environmental Protection Agency banned the chemical's use because it was harmful to wildlife. "Now there is nothing to control the ants, and they are spreading," he says.

Farmers affected by OSHA

Another topic which makes most farmers angry involves regulations handed down by the Occupational Safety and Health Administration. The farmers feel OSHA goes too far in the name of worker safety.

Then there is a recent move by the Interior Department to further restrict federal water to farmers, those affected feel threatened. The overall effect would be minimal within the total U. S. farming community, but this is another area where many feel the government is going too far.

Some farmers feel the government is proconsumer, to the detriment of farming. But Deputy Agriculture Secretary White says the government "is neither proconsumer nor anticonsumer." He



Agriculture Deputy Secretary John White says government must try to help the farmers.

says that farmers and consumers need each other and that the government's role is to help each group—the best profit for the farmer and the least cost for the consumer.

Smoothing out the cycle

He adds that the Secretary of Agriculture wants to "smooth out the boom-bust cycle," and one way to do this is to develop further foreign markets so America's crops will have buyers. Mr. White says two areas in which the U. S. currently is trying to develop markets are Eastern Europe, particularly Poland, and the Far East, especially Indonesia.

The federal government and farmers are not alone in wanting to end the boom-bust cycle. Those who produce farm machinery also would like to have a better handle on what to expect.

"Bonanzas and windfalls are what really hurt us in the long run," says Lyle Yost, president and chairman of the board of Hesston Corp., for 30 years a worldwide manufacturer of farm machinery, primarily harvesting equipment.

Hesston, like many others, was swept up in the produce-all-you-can mood of a few years ago when wheat prices were going up. Also like others, the company has been hurt by the decline in prices. Hesston last year lost \$9.3 million, says Mrs. Lu Wall, executive assistant to Mr. Yost.

Adjusting to overproduction

Mr. Yost says that, as a result, 1,000 employees have had to be laid off. He explains that his company overproduced and now must live with the results.

The fortunes of manufacturing firms such as Hesston are directly related to

the fortunes of the American farmer. When crop prices are up, the firms do well. When prices are down, the firms do not do so well.

Others in the food system—those involved in processing, packaging, and transportation—also are affected by the rise and fall of farm prices. Typically and collectively, they are called the middlemen, and they have been highly criticized in recent years when consumer prices have gone up. But John B. Wall, president of Wall-Rogalsky Milling Co., of McPherson, Kans., feels the middlemen have been unjustly maligned. "We have to be competitive when we market our product," he says.

Who the farmer is today

In 1977, says the Agriculture Department, labor costs accounted for about 47 percent of the food marketing bill, with packaging accounting for 14 percent, transportation and capital costing eight percent each, corporate profits seven percent, and other costs, such as business taxes and advertising, 16 percent. These costs, generally, were passed on to the consumer.

American farmers today must be shrewd in business. What happens in Russia and Japan affects them. What land, seed, and fertilizer sell for affects them. So does what banks charge for loans.

To stay in business, they need to understand the complex world food and marketing situation.

The American farmer is hard to define. The Agriculture Department says there are 2.8 million farmers in the U. S. Of that total, 1.7 million grossed less than \$10,000 in 1976. The large operations, those grossing more than \$100,000, numbered only 155,000.

NATION'S BUSINESS writer Bill Kroger inspects hay that will feed farmer John Lehner's cattle.



By and large, the American farmer still is a small operator, and profits are by no means excessive.

Farming is a way of life

The Agriculture Council of America in October conducted a nationwide telephone survey. Nearly 90 percent of the respondents said their 1977 income would be drastically cut from the previous year, Allen Paul, executive director of the council, reports.

Robert Showalter, president of the Hesston State Bank in Kansas, says at least half the farms in his area are losing money. "The farmer is up against a wall," Mr. Showalter says. "He is exhausting his equity, and that can only continue that way for so long before he is out of business."

Another Kansas banker, W. E. Lehmburg, chairman of McPherson State Bank & Trust Co., feels that, even though the current farm price situation is serious, it is not critical.

He adds, however, that farmers' problems today are greater than they have ever been.

Both Mr. Lehmburg and Mr. Showalter agree that inflation—the cost of land, equipment, fuel, feed, fertilizer—is hurting the farmer most. They say one of the few solutions is to create more markets for American farm products abroad to keep demand abreast of supply.

One thing is sure. The farmers of America today are frustrated by the cost-price squeeze.

Parity and basic economics

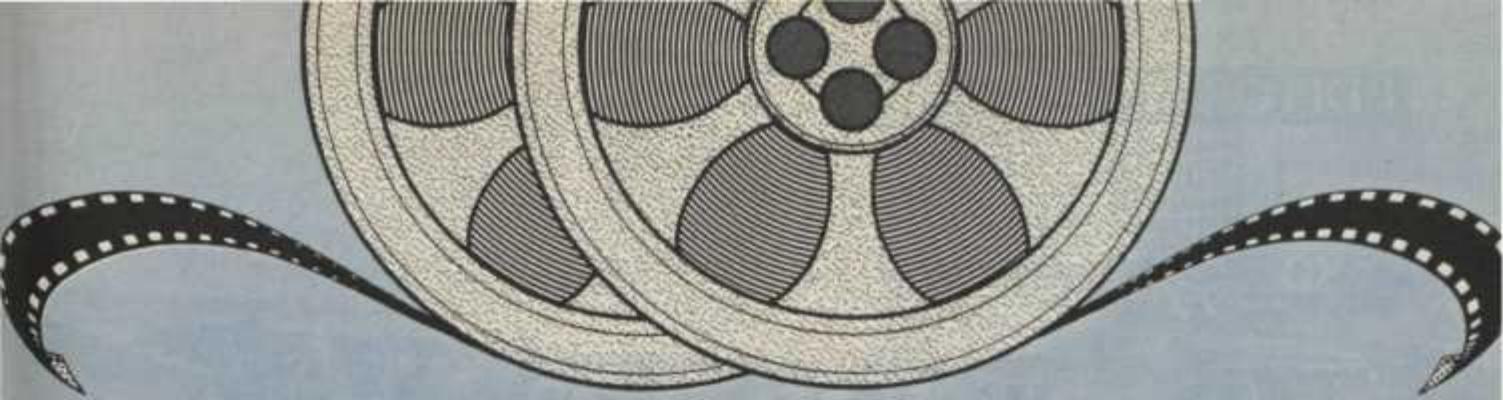
But the farmers who have been demonstrating in the nation's capital and elsewhere, even though they mean business, are not large in number when compared to the total farming community.

What many of the protesting farmers want is 100 percent of parity, which ostensibly would give them the same purchasing power they had in the early 1900's. Actually, this would give them a return substantially above their cost of production.

Knowledgeable people in Washington don't consider 100 percent of parity a likelihood.

What the farmers' protest is doing, however, is making consumers more aware of their plight.

In the end, the farmers will get relief, but it probably will come through the forces of supply and demand. And that would bring the issue full circle, back to basic economics where the problem began in the first place. □



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How Washington Can Dispel the Cloud of Uncertainty

THE ADVENT of a new year usually brings with it a spirit of optimism, an expectancy of better days ahead.

We are entering 1978, however, under a cloud of uncertainty. (See articles on pages 22 and 32.)

This uncertainty has been created by the performance—or, rather, the lack of performance—of the Carter administration in key economic areas.

Government has had a stifling effect, not only on the stock market, but also on expansion plans, on new ventures, on capital investment in general. The country today is notably short on buoyancy and faith in the future.

The situation stems from the fact that Washington somehow does not understand that private enterprise is what makes the country go.

Recently the "Fort Worth Star-Telegram" published a brief essay which should be pondered by our national leaders, as well as by all thinking Americans.

The essay was written by Norwood P. Dixson, a former partner in Ernst & Ernst and now a member of the faculty of Texas Christian University. Mr. Dixson points out some of the things business firms do besides earn a reasonable profit. For example, he says, business firms:

- “ • Pay dividends which benefit, directly or indirectly, nearly every American.
- Provide more than 90 million jobs.
- Pay all of the unemployment taxes.

- Pay one half of all Social Security taxes.
- Pay all of the workers' compensation insurance.
- Contribute more than \$1 billion annually to worthwhile charitable and educational causes.
- Provide retirement income to millions of Americans.
- Provide various fringe benefits to employees, such as life and health insurance, paid vacations, recreation facilities, scholarships for employees' children, health facilities, etc.
- Spend billions of dollars on research, developing products to enhance the health and enjoyment of the American citizen.
- Pay income taxes to help finance the government and its many welfare programs.
- Encourage executives and employees to devote millions upon millions of company-time hours annually in volunteer work for charitable, health, educational, arts, and many other such organizations.

”

To deal soundly and effectively with economic issues in 1978, the President and members of Congress should reflect on the many ways in which private enterprise contributes to the well-being of society and to the strength of the nation.

And act accordingly. □



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Was it time for a new truck series? The answer is "yes."

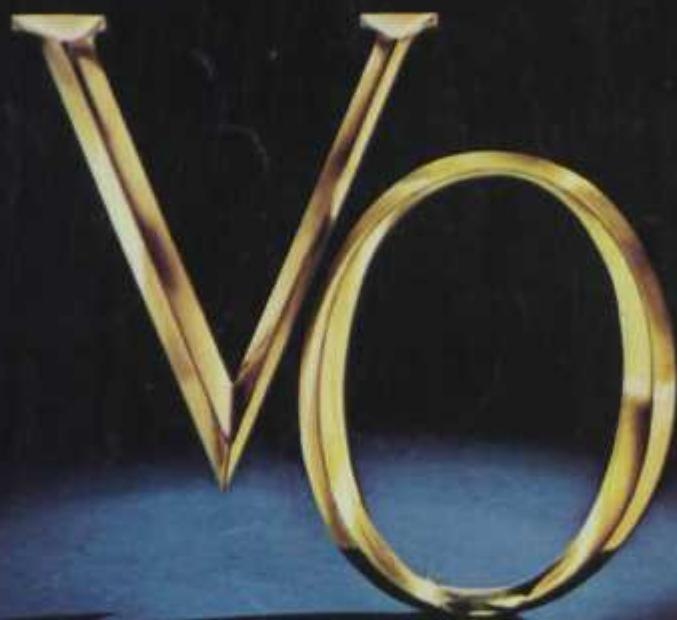
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